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Changhong Jiahua Holdings Limited

長虹佳華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3991)

CONNECTED TRANSACTION ESTABLISHMENT OF A PARTNERSHIP

On 29 July 2022, Changhong IT Digital, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Sichuan Changhong Holding, Sichuan Changhong, Shenwan Hongyuan, Yibin Red-star, Changhong Energy, Changhong Sunpower, Changhong Gerun, CRIC, Changhong Meiling, Changhong Air-conditioning, Guangdong Changhong, Changhong Batteries and Shenwan Changhong, pursuant to which they agreed to establish the Partnership.

The Partnership will be registered as a limited partnership in the PRC. Application will be made for the business licence of the Partnership as soon as possible after the date of the Partnership Agreement. The establishment of the Partnership shall be subject to the approval of the Sichuan Regulatory Bureau of the China Securities Regulatory Commission and other competent authorities, and all applicable registrations and filings shall be completed in the PRC. The Partnership will be established on the date specified in its business licence.

Sichuan Changhong Holding and Sichuan Changhong, being controlling shareholders of the Company, are connected persons of the Company under Chapter 14A of the Listing Rules. Given that Sichuan Changhong Holding is interested in 40% of the registered capital of the General Partner in management the Partnership, the General Partner is an associate of Sichuan Changhong Holding and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering of the Partnership Agreement by Changhong IT Digital in relation to the formation of the Partnership constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at least one of the relevant percentage ratios applicable to the transaction is over 0.1% but less than 5%, the entering of the Partnership Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 29 July 2022, Changhong IT Digital, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Sichuan Changhong Holding, Sichuan Changhong, Shenwan Hongyuan, Yibin Red-star, Changhong Energy, Changhong Sunpower, Changhong Gerun, CRIC, Changhong Meiling, Changhong Air-conditioning, Guangdong Changhong, Changhong Batteries and Shenwan Changhong, pursuant to which they agreed to establish the Partnership.

THE PARTNERSHIP AGREEMENT

The principal terms of the Partnership Agreement are set out below:

Date

29 July 2022

Parties

- (1) General Partner: Shenwan Changhong
- (2) Limited Partners: Changhong IT Digital, Sichuan Changhong Holding, Sichuan Changhong, Shenwan Hongyuan, Yibin Red-star, Changhong Energy, Changhong Sunpower, Changhong Gerun, CRIC, Changhong Meiling, Changhong Air-conditioning, Guangdong Changhong and Changhong Batteries

Establishment of Partnership

The Partnership will be registered as a limited partnership in the PRC. Application will be made for the business licence of the Partnership as soon as possible after the date of the Partnership Agreement. The establishment of the Partnership shall be subject to the approval of the Sichuan Regulatory Bureau of the China Securities Regulatory Commission and other competent authorities, and all applicable registrations and filings shall be completed in the PRC. The Partnership will be established on the date specified in its business licence.

Subscribed Capital Contribution

Pursuant to the terms of the Partnership Agreement, the initial total subscribed capital contribution of the Partnership shall not be less than RMB1,500,000,000, and the initial subscribed capital contribution payable by each Partner and its shareholding in the Partnership shall be as follows:

	Subscribed Capital Contribution (RMB)	Equity interest ratio in the Partnership	Capacity
Sichuan Shenwan Hongyuan Changhong Equity Investment Management Co., Ltd.	5,000,000	0.33%	General Partner
Sichuan Changhong IT Digital Technology Co., Ltd.	30,000,000	2.00%	Limited Partner
Sichuan Changhong Electronics Holding Group Co., Ltd.	300,000,000	20.00%	Limited Partner
Sichuan Changhong Electric Co., Ltd.	200,000,000	13.33%	Limited Partner
Shenwan Hongyuan Group Co., Ltd.	300,000,000	20.00%	Limited Partner
Yibin Red-star Electronics Co., Ltd.	215,000,000	14.33%	Limited Partner
Sichuan Changhong New Energy Technology Co., Ltd.	20,000,000	1.33%	Limited Partner
Changhong Sunpower Co., Ltd.	30,000,000	2.00%	Limited Partner
Sichuan Changhong Gerun Environmental Technology Co., Ltd.	30,000,000	2.00%	Limited Partner
Sichuan Changhong Research Institute Company	30,000,000	2.00%	Limited Partner
Changhong Meiling Co., Ltd.	100,000,000	6.67%	Limited Partner
Sichuan Changhong Air-conditioning Co., Ltd.	100,000,000	6.67%	Limited Partner
Guangdong Changhong Electronics Co., Ltd.	70,000,000	4.67%	Limited Partner
Sichuan Changhong Batteries Co., Ltd.	<u>70,000,000</u>	<u>4.67%</u>	Limited Partner
Total:	<u><u>1,500,000,000</u></u>	<u><u>100.00%</u></u>	

Such subscribed capital contribution was determined after arm's length negotiations among the parties to the agreement with reference to the capital requirements of the Partnership. Changhong IT Digital intends to fund its capital contribution to the Partnership by internal resources of the Group.

Timing of Capital Contribution

Changhong IT Digital shall pay 20% of the subscribed capital contribution in RMB in cash (i.e. RMB6,000,000) to the Partnership within 5 business days after the completion of the establishment of the Partnership and the opening of the bank account in accordance with the payment notice issued by the General Partner. Thereafter, the General Partner shall pay the remaining subscribed capital contribution in full and on time during the investment period in accordance with the payment notice of the General Partner.

Scope of Investment

The scope of investment of the Partnership will mainly focus on areas with high growth potential, and is engaged in new energy, semiconductors, information technology application innovative industries, smart home and smart manufacturing (the “**Target Businesses**”), which can be invested by way of private equity sub-fund in equity investment or direct investment projects.

Term of the Partnership

The term of the Partnership is expected to be ten years from the date of establishment of the Partnership, of which the investment period is seven years and the exit period is expected to be three years from the day following the expiry of the investment period. The term of the Partnership may be further extended or terminated earlier if the Partners unanimously agree.

Partnership Management

The Partnership will be managed by Shenwan Changhong, which is owned as to 40% by Sichuan Changhong Holding.

Pursuant to the Partnership Agreement, Shenwan Changhong, acting as the General Partner, is entitled to receive a management fee at 2% per annum of the total paid-up capital contribution of the Partnership.

Income Distribution

The distributable income of the Partnership shall first be distributed to each Limited Partner in proportion to their respective paid-in capital contribution of the Partnership before General Partner, until all paid-in capital contribution of each Limited Partner has been recovered; then to the General Partner until the General Partner has recovered all the paid-in capital contribution; if there is any surplus, it shall be distributed to all Partners in proportion to their paid-in capital contribution to the Partnership; if the surplus rate of the investment project of the Partnership exceeds 8%, 80% of the surplus shall be distributed to the Limited Partners in proportion to their respective paid-in capital contribution to the Partnership and the remaining 20% shall be distributed to the General Partner.

Share of Loss

In the event of loss, all Partners shall first bear in proportion of their subscribed capital contribution to the Partnership. The Limited Partners shall be liable for the debts of the Partnership only to the extent of their capital contribution to the Partnership, and the General Partner shall bear unlimited joint and several liabilities for the debts of the Partnership.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

The investment scope of the Partnership is in line with the national policy of the PRC and the business strategy of the Group. The Directors are of the view that the Target Businesses has great commercial potential, and hence the entering of the Partnership Agreement to invest in the Target Businesses will facilitate the overall strategic transformation of the Company and enhance the overall competitive advantages of the Company.

The Directors (including the independent non-executive Directors but excluding the Directors who abstained from voting) are of the view that the Partnership Agreement was entered into after arm's length negotiations between the parties in normal commercial terms, and is in the interests of the Company and the shareholders of the Company as a whole, and the terms of the transaction thereunder are fair and reasonable.

Others

As Mr. Pan Xiaoyong, an executive Director, is a director of Sichuan Changhong, Mr. Pan Xiaoyong is deemed to be interested in the entering of the Partnership Agreement. Accordingly, Mr. Pan Xiaoyong has abstained from voting on the Board resolutions approving the entering of the Partnership Agreement.

As Mr. Zhang Xiaolong, an executive Director, is a senior management of Sichuan Changhong, for good corporate governance, he has abstained from voting on the Board resolutions approving the entering of the Partnership Agreement.

Information on the Relevant Parties

The Company has been listed on the Main Board since 18 March 2020. The Company and its subsidiaries are principally engaged in the distribution of ICT products and the provision of integrated ICT services.

Sichuan Changhong Holding is the actual controller of Sichuan Changhong and one of the controlling shareholders of the Company. Sichuan Changhong Holding is principally engaged in industrial investment, operation and management of state-owned assets (shares) and other businesses.

Sichuan Changhong is one of the controlling shareholders of the Company. Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics products under the name of "Changhong".

Changhong IT Digital is an indirect wholly-owned subsidiary of the Company and is principally engaged in the distribution business of ICT consumer products and ICT corporate products.

Shenwan Hongyuan is a company established under the laws of the PRC with an aggregate registered capital of RMB25,039,944,560, and is principally engaged in investment management, business investment, equity investment, investment consulting and leasing. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shenwan Hongyuan is a third party independent of the Company and its connected persons.

Shenwan Changhong is a company established under the laws of the PRC with an aggregate registered capital of RMB20,000,000, and is owned as to 40% by Sichuan Changhong Holding and indirectly owned as to 60% by Shenwan Hongyuan. Shenwan Changhong is an associate of Sichuan Changhong Holding and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Shenwan Changhong is the General Partner and manager of the Partnership, and is responsible for managing and making decisions on the investment activities of the Partnership.

Yibin Red-star is a company established under the laws of the PRC with an aggregate registered capital of RMB135,000,000, and is indirectly wholly-owned by Sichuan Changhong Holding. It is an associate of Sichuan Changhong Holding and therefore a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in the transfer, development and consultation of its self-produced products and technologies and other businesses.

Changhong Energy is a company established under the laws of the PRC with an aggregate registered capital of RMB130,053,003, and is owned as to 60.28% by Sichuan Changhong Holding and the remaining by an Independent Third Party. Changhong Energy is an associate of Sichuan Changhong Holding and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in the research and development, manufacturing, sales and technical consultation and other businesses of battery series products, photoelectric, photothermal conversion and utilisation, solar series products and new battery materials.

Changhong Sunpower is a company established under the laws of the PRC with an aggregate registered capital of RMB69,817,110, and is indirectly owned as to 40.29% by Sichuan Changhong Holding and the remaining equity interest is owned by an Independent Third Party. It is an associate of Sichuan Changhong Holding and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in battery manufacturing, sales of batteries, research and development of new material technology and other businesses.

Changhong Gerun is a company established under the laws of the PRC with an aggregate registered capital of RMB85,855,000, and is owned as to 46.583% by Sichuan Changhong Holding and the remaining by an Independent Third Party. It is an associate of Sichuan Changhong Holding and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in the research and development, manufacturing and sales of new materials and special equipment for environmental protection; environmental risk assessment, environmental technology consultation, services and other businesses.

CRIC is a company established under the laws of the PRC with an aggregate registered capital of RMB100,000,000, and is owned as to 100% by Sichuan Changhong Holding. It is an associate of Sichuan Changhong Holding and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in inspecting and testing services, software development and other businesses.

Changhong Meiling is a company established under the laws of the PRC with an aggregate registered capital of RMB1,029,923,715, and is directly and indirectly owned as to 27.36% by Sichuan Changhong and the remaining equity interest is owned by an Independent Third Party. Sichuan Changhong can control the composition of a majority of its board of directors and is therefore its actual controller. It is an associate of Sichuan Changhong and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in the research and development, manufacturing, sales, installation and technical consultation services and other businesses of refrigeration appliances, air conditioners, washing machines, water heaters and other products.

Changhong Air-conditioning is a company established under the laws of the PRC with an aggregate registered capital of RMB850,000,000, and is indirectly owned as to 27.36% by Sichuan Changhong and the remaining equity interest is owned by an Independent Third Party. Sichuan Changhong can control the composition of a majority of its board of directors and is therefore its actual controller. It is an associate of Sichuan Changhong and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in the construction of electrical and mechanical installation projects, as well as research and development, manufacturing, sales, installation and service and other businesses of household appliances, refrigeration and air-conditioning equipment products.

Guangdong Changhong is a company established under the laws of the PRC with an aggregate registered capital of RMB500,000,000, and is owned as to 91% by Sichuan Changhong and the remaining by an Independent Third Party. It is an associate of Sichuan Changhong and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in the manufacturing and sale of video products, audiovisual products and battery products and other businesses.

Changhong Batteries is a company established under the laws of the PRC with an aggregate registered capital of RMB375,000,000, and is owned as to 80.27% by Sichuan Changhong and the remaining by an Independent Third Party. It is an associate of Sichuan Changhong and thus a connected person of the Company under Chapter 14A of the Listing Rules. It is principally engaged in battery manufacturing, sales of batteries and other businesses.

LISTING RULES IMPLICATIONS

Sichuan Changhong Holding and Sichuan Changhong, being controlling shareholders of the Company, are connected persons of the Company under Chapter 14A of the Listing Rules. Given that Sichuan Changhong Holding is interested in 40% of the registered capital of the General Partner in management the Partnership, the General Partner is an associate of Sichuan Changhong Holding and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering of the Partnership Agreement by Changhong IT Digital in relation to the formation of the Partnership constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at least one of the relevant percentage ratios applicable to the transaction is over 0.1% but less than 5%, the entering of the Partnership Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of directors of the Company
“Changhong Air-conditioning”	Sichuan Changhong Air-conditioning Co., Ltd., a company established under the laws of the PRC and indirectly owned as to 27.36% by Sichuan Changhong, the actual controller, and is a connected person of the Company
“Changhong Batteries”	Sichuan Changhong Batteries Co., Ltd., a company established under the laws of the PRC and owned as to 80.27% by Sichuan Changhong, and is a connected person of the Company
“Changhong Energy”	Sichuan Changhong New Energy Technology Co., Ltd., a company established under the laws of the PRC, the issued A shares of which are listed on the Beijing Stock Exchange (stock code: 836239) and owned as to 60.28% by Sichuan Changhong Holding, and is a connected person of the Company
“Changhong Gerun”	Sichuan Changhong Gerun Environmental Technology Co., Ltd., a company established under the laws of the PRC and owned as to 46.583% by Sichuan Changhong Holding, and is a connected person of the Company
“Changhong IT Digital”	Sichuan Changhong IT Digital Technology Co., Ltd., a company established under the laws of the PRC and is an indirect wholly-owned subsidiary of the Company
“Changhong Meiling”	Changhong Meiling Co., Ltd., a company established under the laws of the PRC, the issued A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000521), which is directly and indirectly owned as to 27.36% by Sichuan Changhong, the actual controller, and is a connected person of the Company

“Changhong Sunpower”	Changhong Sunpower Co., Ltd., a company established under the laws of the PRC and indirectly owned as to 40.29% by Sichuan Changhong Holding, and is a connected person of the Company
“Company”	Changhong Jiahua Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CRIC”	Sichuan Changhong Research Institute Company, a company established under the laws of the PRC, and owned as to 100% by Sichuan Changhong Holding, and is a connected person of the Company
“Directors”	directors of the Company
“General Partner”	the general partner of the Partnership, namely Shenwan Changhong
“Group”	the Company and its subsidiaries
“Guangdong Changhong”	Guangdong Changhong Electronics Co., Ltd., a company established under the laws of the PRC and owned as to 91% by Sichuan Changhong, and is a connected person of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Limited Partner(s)”	the limited partners of the Partnership, namely Changhong IT Digital, Sichuan Changhong Holding, Sichuan Changhong, Shenwan Hongyuan, Yibin Red-star, Changhong Energy, Changhong Sunpower, Changhong Gerun, CRIC, Changhong Meiling, Changhong Air-conditioning, Guangdong Changhong and Changhong Batteries
“Listing Rules”	The Listing Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited
“Main Board”	the main board of the Stock Exchange
“Partner(s)”	the General Partner and Limited Partners

“Partnership”	Sichuan Changhong Shenwan Hongyuan Industrial Equity Investment Fund Partnership (Limited Partnership) (四川長虹申萬宏源產業股權投資基金合夥企業(有限合夥)), a limited partnership to be incorporated under the laws of the PRC pursuant to the Partnership Agreement
“Partnership Agreement”	the partnership agreement entered into by the Partners on 29 July 2022 in relation to the establishment and management of the Partnership
“percentage ratios”	has the meaning ascribed to it under Rule 14A.76 of the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Shenwan Changhong”	Sichuan Shenwan Hongyuan Changhong Equity Investment Management Co., Ltd., a company established under the laws of the PRC and owned as to 40% by Sichuan Changhong Holding, and is a connected person of the Company
“Shenwan Hongyuan”	Shenwan Hongyuan Group Co., Ltd., a company established under the laws of the PRC, the issued A shares of which are listed on the Shanghai Stock Exchange (stock code: 000166) and the issued H shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 6806), and is an Independent Third Party
“Sichuan Changhong”	Sichuan Changhong Electric Co., Limited, a company established under the laws of the PRC, the issued A shares of which are listed on the Shanghai Stock Exchange (stock code: 600839) and its wholly-owned subsidiary owns 60.13% equity interest in the Company, and is one of the controlling shareholders of the Company
“Sichuan Changhong Holding”	Sichuan Changhong Electronics Holdings Group Co., Ltd., a company established under the laws of the PRC and owned as to 90% by State-owned Assets Supervision and Administration Commission of Mianyang Municipal Government, and is one of the controlling shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yibin Red-star”	Yibin Red-star Electronics Co., Ltd., a company established under the laws of the PRC and indirectly owned as to 100% by Sichuan Changhong Holding, and is a connected person of the Company
“%”	per cent

By order of the Board
Changhong Jiahua Holdings Limited
Zhu Jianqiu
Chairman and Executive Director

Hong Kong, 29 July 2022

As at the date of this announcement, the executive Directors are Mr. Zhu Jianqiu, Mr. Pan Xiaoyong, Mr. Zhang Xiaolong and Mr. Zhou Jiachao and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Gao Xudong and Mr. Meng Qingbin.