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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 TRANSACTIONS IN RELATION TO RENEWAL OF THE EXISTING CHANGHONG IT LEASE (BEIJING)**

#### **RENEWAL OF THE EXISTING CHANGHONG IT LEASE (BEIJING)**

Reference is made to the announcement of the Company dated 25 May 2023 in relation to the 2023 Changhong IT Lease (Beijing).

As the 2023 Changhong IT Lease (Beijing) will expire on 31 May 2024, the Board announces that, on 24 May 2024, Changhong IT entered into the 2024 Changhong IT Lease (Beijing) with Beijing Changhong in relation to the leasing of certain premises in Beijing, which will be used by Changhong IT as its office, to renew the leasing of premises under the 2023 Changhong IT Lease (Beijing).

#### **LISTING RULES IMPLICATIONS**

Beijing Changhong is owned as to 48.98% by Sichuan Changhong, a controlling shareholder of the Company. Hence, Beijing Changhong is a connected person of the Company. Accordingly, the entering into of the 2024 Changhong IT Lease (Beijing) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the estimated values of the right-of-use asset to be recognised by the Group under the 2024 Changhong IT Lease (Beijing) will be aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the 2024 Changhong IT Lease (Beijing) in aggregate are more than 0.1% and less than 5%, the entering into of the 2024 Changhong IT Lease (Beijing) is therefore exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting and announcement requirements.

## **RENEWAL OF THE EXISTING CHANGHONG IT LEASE (BEIJING)**

Reference is made to the announcement of the Company dated 25 May 2023 in relation to the 2023 Changhong IT Lease (Beijing).

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Principal terms of the 2024 Changhong IT Lease (Beijing) are set out as follows:

<b>Date:</b>	24 May 2024
<b>Parties:</b>	(i) Changhong IT, as tenant; and (ii) Beijing Changhong, as landlord.
<b>Premises:</b>	Certain portions of the 1st floor and the whole of 3rd, 8th to 12th floors of Beijing Changhong Science and Technology Building, Block 26, Section 18, 188 South 4th Ring Road, Fengtai District, Beijing, the PRC (with an aggregate floor area of 6,780.05 square meters)
<b>Terms:</b>	Three years commencing from 1 June 2024 to 31 May 2027
<b>Rent:</b>	RMB515,566.30 per month

The rent under the 2024 Changhong IT Lease (Beijing) was determined after arm's length negotiations between the parties thereto and with reference to the prevailing market rent for similar premises in the vicinity, and the term shall be on normal commercial terms and no less favourable to the Group than those available from other independent third parties.

## **REASONS FOR AND THE BENEFITS OF ENTERING INTO THE 2024 CHANGHONG IT LEASE (BEIJING)**

The Directors (including the independent non-executive Directors) are of the view that it is in the interest of the Company to enter into the 2024 Changhong IT Lease (Beijing) in order to provide the Group with stable and necessary office premises for its business operation.

The Directors (including the independent non-executive Directors) are of the view that the 2024 Changhong IT Lease (Beijing) was entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiations, and the terms of the 2024 Changhong IT Lease (Beijing) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

Beijing Changhong is owned as to 48.98% by Sichuan Changhong, a controlling shareholder of the Company. Hence, Beijing Changhong is a connected person of the Company. Accordingly, the entering into of the 2024 Changhong IT Lease (Beijing) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The HKFRS applicable to the Group include HKFRS 16 “Leases” which has come into effect on 1 January 2019. In accordance with HKFRS 16 “Leases”, the Group will recognize the value of the right-of-use assets on its balance sheet in connection with the 2024 Changhong IT Lease (Beijing), this transaction will be regarded as an acquisition of assets by the Group pursuant to the Listing Rules. The value of the right-of-use asset to be recognized by the Group under the 2024 Changhong IT Lease (Beijing) is estimated to be approximately RMB17,359,856.37 (equivalent to approximately HK\$19,066,330.25), being the present value of the aggregate lease payments using the rate applicable at the commencement date of the 2024 Changhong IT Lease (Beijing) in accordance with HKFRS 16. The discount rate of 4.75% is applied to compute the present value of aggregate lease payments under the 2024 Changhong IT Lease (Beijing). Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

Pursuant to Rule 14A.81 of the Listing Rules, the estimated values of the right-of-use asset to be recognised by the Group under the 2024 Changhong IT Lease (Beijing) will be aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the 2024 Changhong IT Lease (Beijing) in aggregate are more than 0.1% and less than 5%, the entering into of the 2024 Changhong IT Lease (Beijing) is therefore exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting and announcement requirements.

Mr. Zhao Qilin (“**Mr. Zhao**”), Ms. Mao Haiyun (“**Ms. Mao**”) and Mr. Ma Ban (“**Mr. Ma**”), being executive directors of the Company and director or management of Sichuan Changhong, are considered to be interested in the 2024 Changhong IT Lease (Beijing). Therefore, Mr. Zhao, Ms. Mao and Mr. Ma have abstained from voting for the Board resolutions approving the entering into of the 2024 Changhong IT Lease (Beijing).

## INFORMATION ABOUT THE PARTIES TO THE LEASE

Changhong IT is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Changhong IT is principally engaged in the distribution of ICT consumer products and ICT corporate products.

Beijing Changhong is a company established in the PRC with limited liability and indirectly owned as to 48.98% by Sichuan Changhong. Beijing Changhong is principally engaged in property leasing and property management.

Sichuan Changhong is a controlling shareholder of the Company established in the PRC of which shares are listed on the Shanghai Stock Exchange (Stock Code: 600839). Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics items under the name of “Changhong”.

## DEFINITION

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“2023 Changhong IT Lease (Beijing)”	the lease agreement dated 25 May 2023 and entered into between Changhong IT and Beijing Changhong
“2024 Changhong IT Lease (Beijing)”	the lease agreement dated 24 May 2024 and entered into between Changhong IT and Beijing Changhong
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Changhong”	Beijing Changhong Technology Company Limited* (北京長虹科技有限責任公司), a company established under the laws of the PRC and owned as to 48.98% by a controlling Shareholder, Sichuan Changhong. Beijing Changhong is a connected person of the Company
“Board”	board of the Directors
“Changhong IT”	Changhong IT Information Products Co., Ltd* (四川長虹佳華信息產品有限責任公司), a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of the Company
“Company”	Changhong Jiahua Holdings Limited, an exempted company incorporated in Bermuda with limited liability and issued Shares of which are listed and traded on Main Board (Stock Code: 3991)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meanings ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholders”	holder(s) of the Share(s)
“Sichuan Changhong”	Sichuan Changhong Electric Co., Ltd* (四川長虹電器股份有限公司), a company established under the laws of the PRC and a controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 24 May 2024

*As at the date of this announcement, the executive Directors are Mr. Zhu Jianqiu, Mr. Zhao Qilin, Ms. Mao Haiyun, Mr. Ma Ban, Ms. Su Huiqing and Mr. Zhou Jiachao and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Gao Xudong and Mr. Meng Qingbin.*

\* *For identification purpose*