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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: 8016)

ANNOUNCEMENT

**(I) CONTINUING CONNECTED TRANSACTIONS;
(II) CHANGES OF DIRECTORS; AND
(III) APPOINTMENT OF ALTERNATE DIRECTOR**

(I) CONTINUING CONNECTED TRANSACTIONS

On 4 May 2017 (after trading hours), the Group entered into the following Leases:

1. Changhong IT, an indirectly wholly owned subsidiary of the Company, entered into the Changhong IT Lease with Beijing Changhong in relation to the leasing of certain premises in Beijing, which will be used by Changhong IT as its office;
2. Changhong IT Chengdu, a branch office of Changhong IT, entered into the Changhong IT Chengdu Lease with Chengdu Changhong in relation to the leasing of certain premises in Chengdu, which will be used by Changhong IT Chengdu as its office; and
3. Changhong IT Intelligence, an indirectly wholly owned subsidiary of the Company, entered into the Changhong IT Intelligence Lease with Chengdu Changhong in relation to the leasing of certain premises in Chengdu, which will be used by Changhong IT Intelligence as its office.

Beijing Changhong and Chengdu Changhong are owned as to 48.98% and 99.95%, respectively, by Sichuan Changhong, a controlling shareholder of the Company. Hence, each of Beijing Changhong and Chengdu Changhong is an associate of Sichuan Changhong and a connected person of the Company. Accordingly, the entering into of the Leases constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.79 of the GEM Listing Rules, the proposed annual caps of the continuing connected transactions contemplated under the Leases will be aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the proposed annual caps in respect of the annual transaction amount under the Leases (on an aggregated basis) are more than 0.1% and less than 5%, the entering into of the Leases is exempted from the circular (including independent financial advice) and Shareholders' approval requirements, but are subject to announcement, annual reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

(II) CHANGES OF DIRECTORS

The Board announces that Mr. Yu Xiao and Mr. Wu Xiangtao have tendered their resignations as executive Directors with effect from 4 May 2017 in order to devote more time to their other business commitments.

Upon the resignations of Mr. Yu Xiao and Mr. Wu Xiangtao, the Board is pleased to further announce that Mr. Li Jin and Mr. Yang Jun have been appointed as executive Directors with effect from 4 May 2017.

(III) APPOINTMENT OF ALTERNATE DIRECTOR

The Board announces that Mr. Zhao Yong has appointed Mr. Li Jin as his alternate director with effect from 4 May 2017.

(I) CONTINUING CONNECTED TRANSACTIONS – THE LEASES

On 4 May 2017 (after trading hours), the Group entered into the following Leases:

1. Changhong IT, an indirectly wholly owned subsidiary of the Company, entered into the Changhong IT Lease with Beijing Changhong in relation to the leasing of certain premises in Beijing, which will be used by Changhong IT as its office;
2. Changhong IT Chengdu, a branch office of Changhong IT, entered into the Changhong IT Chengdu Lease with Chengdu Changhong in relation to the leasing of certain premises in Chengdu, which will be used by Changhong IT Chengdu as its office; and
3. Changhong IT Intelligence, an indirectly wholly owned subsidiary of the Company, entered into the Changhong IT Intelligence Lease with Chengdu Changhong in relation to the leasing of certain premises in Chengdu, which will be used by Changhong IT Intelligence as its office.

Principal terms of the respective Leases are set out as follows:

Changhong IT Lease

Date: 4 May 2017

Parties: (i) Changhong IT, as tenant; and
(ii) Beijing Changhong, as landlord.

Premises: Certain portions of the 1st floor and the whole of 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 982.53 square meters)

Terms: Three years commencing from 1 June 2017 to 31 May 2020

Rent: RMB419,037 per month

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

Changhong IT Chengdu Lease

Date: 4 May 2017

Parties: (i) Changhong IT Chengdu, as tenant; and
(ii) Chengdu Changhong, as landlord.

Premises: Certain portions of 28th Floor, Block A of Changhong Science and Technology Building, 199 Tianfu 4th Road, Gaoxin District, Chengdu, the PRC (with an aggregate floor area of 555.68 square meters)

Terms: Three years commencing from 1 July 2017 to 30 June 2020

Rent: RMB41,676 per month

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

Changhong IT Intelligence Lease

Date: 4 May 2017

Parties: (i) Changhong IT Intelligence, as tenant; and
(ii) Chengdu Changhong, as landlord.

Premises: Certain portions of 28th Floor, Block A of Changhong Science and Technology Building, 199 Tianfu 4th Road, Gaoxin District, Chengdu, the PRC (with an aggregate floor area of 969.7 square meters)

Terms: Three years commencing from 1 July 2017 to 30 June 2020

Rent: RMB72,727.5 per month

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

Proposed annual caps for the Leases

The proposed annual caps for the Leases represent the annual rent payable by Changhong IT, Changhong IT Chengdu and Changhong IT Intelligence under the Leases. The proposed annual caps in respect of the respective Leases for the years ending 31 December 2017, 2018, 2019 and 2020 are as follows:

	For the financial year ending 31 December			
	2017 (from 1 June 2017 to 31 December 2017 in the case of the Changhong IT Lease and from 1 July 2017 to 31 December 2017 in the case of the Changhong IT Chengdu Lease and the Changhong IT Intelligence Lease) (RMB'000)	2018 (from 1 January 2018 to 31 December 2018) (RMB'000)	2019 (from 1 January 2019 to 31 December 2019) (RMB'000)	2020 (from 1 January 2020 to 31 May 2020 in the case of the Changhong IT Lease and from 1 January 2020 to 30 June 2020 in the case of the Changhong IT Chengdu Lease and the Changhong IT Intelligence Lease) (RMB'000)
Changhong IT	2,933	5,028	5,028	2,095
Changhong IT Chengdu	250	500	500	250
Changhong IT Intelligence	436	873	873	436
	<u>3,619</u>	<u>6,401</u>	<u>6,401</u>	<u>2,781</u>

Internal control

The parties may re-negotiate the amount of the rents payable during the term of each of the respective Leases with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, provided that the total rents shall not exceed the respective proposed annual caps, and the terms shall be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

In the event where the parties re-negotiate the amount of the rents for the Leases, the Company will adopt the following measures in order to ensure that the transactions under each of the Leases will be on normal commercial terms and no less favourable to the Group than those available from independent third parties:

- (a) the Group will obtain the market rents for similar premises in the same or nearby areas or similar locations in the PRC;
- (b) the Group will negotiate and agree on the new rental with reference to the proposed annual caps and the market rents;
- (c) the Group has an internal system to trace, monitor and evaluate the transaction amounts under the Leases regularly to ensure that the proposed annual caps will not be exceeded; and
- (d) the Group will comply with the annual review requirements in respect of the transactions contemplated under the Leases in accordance with Chapter 20 of the GEM Listing Rules, such as engaging the Company's auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under the Leases and give opinions/confirmations in the Company's annual reports.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that any new rental to be agreed pursuant to the Leases will be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

Reasons for and the benefits of entering into the Leases

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 Leases 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 Leases and the transactions contemplated thereunder (including the proposed annual caps) were 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 Leases and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Listing rules implications

Beijing Changhong and Chengdu Changhong are owned as to 48.98% and 99.95%, respectively, by Sichuan Changhong, a controlling shareholder of the Company. Hence, each of Beijing Changhong and Chengdu Changhong is an associate of Sichuan Changhong and a connected person of the Company. Accordingly, the entering into of the Leases constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.79 of the GEM Listing Rules, the proposed annual caps of the continuing connected transactions contemplated under the Leases will be aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the proposed annual caps of the annual transaction amount under the Leases (on an aggregated basis) are more than 0.1% and less than 5%, the entering into of the Leases is exempted from the circular (including independent financial advice) and Shareholders' approval requirements, but are subject to announcement, annual reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

Mr. Zhao Yong, Mr. Yu Xiao and Mr. Wu Xiangtao, being executive Directors, are considered to be interested in the transactions contemplated under each of the Leases. Therefore, Mr. Zhao Yong, Mr. Yu Xiao and Mr. Wu Xiangtao abstained from voting for the Board resolution to approve the entering into of the Leases and the transactions contemplated thereunder.

Information about the parties to the Leases

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 IT consumer products and IT corporate products.

Changhong IT Chengdu is a branch office of Changhong IT. Changhong IT Chengdu is principally engaged in the distribution of IT consumer products and IT corporate products.

Changhong IT Intelligence is a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. Changhong IT Intelligence is principally engaged in the distribution of IT consumer products and IT corporate products, and development of mobile location-based service 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, property management.

Chengdu Changhong is a company established in the PRC with limited liability and owned as to 99.95% by Sichuan Changhong. Chengdu Changhong is principally engaged in property leasing, property management.

II. CHANGES OF DIRECTORS

Resignations of Directors

The Board announces that Mr. Yu Xiao and Mr. Wu Xiangtao have tendered their resignations as executive Directors with effect from 4 May 2017 in order to devote more time to their other business commitments.

Mr. Yu Xiao and Mr. Wu Xiangtao have both confirmed that they had no disagreement with the Board and there were no matters relating to their resignations that need to be brought to the attention of the Shareholders.

Appointments of Directors

Upon the resignations of Mr. Yu Xiao and Mr. Wu Xiangtao, the Board is pleased to further announce that Mr. Li Jin (“**Mr. Li**”) and Mr. Yang Jun (“**Mr. Yang**”) have been appointed as executive Directors with effect from 4 May 2017. The biographical details of each of Mr. Li and Mr. Yang are as follows:

Mr. Li Jin

Mr. Li, aged 50, has over 18 years of experience in corporate management and is also holding managerial and directorship positions in Sichuan Changhong Electronics Holding Group Limited Company (四川長虹電子控股集團有限公司) (“**Sichuan Changhong Holding**”) and Sichuan Changhong Electric Co., Ltd* (四川長虹電器股份有限公司) (“**Sichuan Changhong**”). Mr. Li was a director of Sichuan Changhong from June 2002 to May 2007, and he later reprised his role as a director in May 2014 and has been a director of Sichuan Changhong since then. Mr. Li was also a deputy general manager of Sichuan Changhong from March 2006 to November 2015. He has also been a director and a general manager of Sichuan Changhong Holding since May 2007 and November 2015, respectively.

Mr. Li obtained a Ph.D. in engineering from Keio University in September 1997 and a Ph.D. in engineering from Tsinghua University (清華大學) in July 1998. Mr. Li also obtained a degree of master of business administration from the University of Glasgow in August 2008.

Mr. Yang Jun

Mr. Yang, aged 47, has over 18 years of experience in corporate investment and corporate governance and is also a director of a number of subsidiaries of the Company. From February 2011 to May 2014, he was an assistant general manager of Sichuan Changhong. From April 2011 to May 2014, Mr. Yang was a chief investment officer of Sichuan Changhong. Since May 2014, he has been a deputy general manager of Sichuan Changhong. From May 2014 to August 2016, he was the secretary of the board of directors of Sichuan Changhong.

Mr. Yang graduated from Chengdu Technological University (成都工業學院) in June 1991 and completed a master degree programme on business administration at the Business School of Sichuan University (四川工商管理學院) in July 2005.

General

Mr. Li and Mr. Yang did not hold any directorships in any other listed public companies in Hong Kong or overseas in the last three years. Mr. Li and Mr. Yang do not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this announcement, Mr. Li and Mr. Yang did not have any interests or short positions in the Shares or underlying shares of the Company which are discloseable under Part XV of the Securities and Futures Ordinance.

Each of Mr. Li and Mr. Yang has entered into a service contract with the Company with no fixed term, and is terminable by either party giving not less than one month's written notice or payment in lieu. Each of Mr. Li and Mr. Yang is also subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company. Each of Mr. Li and Mr. Yang will be entitled to a director's emolument of HK\$60,000 per annum, which are determined by the remuneration committee of the Company with reference to each of Mr. Li's and Mr. Yang's relevant experience, responsibilities and duties in the Company and the prevailing market benchmarks.

Save as disclosed above, there is no other information relating to Mr. Li and Mr. Yang that should be disclosed under Rule 17.50(2) of the GEM Listing Rules or any other matter that needs to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its sincere gratitude to Mr. Yu Xiao and Mr. Wu Xiangtao for their valuable contribution to the Company during their tenure of services, and extend its warmest welcome to Mr. Li and Mr. Yang in joining the Board.

III. APPOINTMENT OF ALTERNATE DIRECTOR

The Board announces that Mr. Zhao Yong, the chairman of the Board and an executive Director, has appointed Mr. Li, a newly appointed executive Director, as his alternate director with effect from 4 May 2017.

For the biographical details of Mr. Li, please refer to the paragraph headed “II. Changes of Directors – Appointments of Directors” in this announcement.

Mr. Li, being the alternate director of Mr. Zhao Yong, is not appointed for a specific term. In accordance with the bye-laws of the Company, Mr. Li will cease to be an alternate director to Mr. Zhao Yong upon Mr. Zhao Yong revoking Mr. Li’s appointment or Mr. Zhao Yong ceasing to be an executive Director. There is no service agreement between Mr. Li and the Company with respect to his appointment as an alternate director to Mr. Zhao Yong. As an alternate director to Mr. Zhao Yong, Mr. Li will not receive any remuneration from the Company.

DEFINITION

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

“associate(s)”	has the meaning ascribed to it under the GEM 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
“Changhong IT Chengdu”	Sichuan Changhong IT Information Products Co., Ltd Chengdu Branch* (四川長虹佳華信息產品有限責任公司成都分公司), a branch office of Changhong IT established in Chengdu under the laws of the PRC

“Changhong IT Chengdu Lease”	the lease agreement dated 4 May 2017 and entered into between Changhong IT Chengdu and Chengdu Changhong
“Changhong IT Intelligence”	Beijing Changhong IT Intelligence System Co., Ltd* (北京長虹佳華智能系統有限公司), a company established under the laws of the PRC and an indirectly wholly owned subsidiary of the Company
“Changhong IT Intelligence Lease”	the lease agreement dated 4 May 2017 and entered into between Changhong IT Intelligence and Chengdu Changhong
“Changhong IT Lease”	the lease agreement dated 4 May 2017 and entered into between Changhong IT and Beijing Changhong
“Chengdu Changhong”	Chengdu Changhong Electronic Technology Company Limited* (成都長虹電子科技有限責任公司), a company established under the laws of the PRC and owned as to 99.95% by a controlling Shareholder, Sichuan Changhong. Chengdu Changhong is a connected person 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 GEM
“connected person(s)”	has the meanings ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meanings ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Leases”	means, collectively, the Changhong IT Lease, the Changhong IT Chengdu Lease and the Changhong IT Intelligence Lease

“percentage ratio(s)”	has the meanings ascribed to it under the GEM 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
“%”	per cent

By Order of the Board of
Changhong Jiahua Holdings Limited
Zhao Yong
Chairman

Hong Kong, 4 May 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Li Jin, Mr. Yang Jun and Ms. Shi Ping and the independent non-executive directors are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Mr. Sun Dongfeng and Mr. Cheng Yuk Kin.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at <http://www.changhongit.com.hk>.

* For identification purpose