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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)**

**RENEWAL OF EXISTING CONTINUING CONNECTED  
TRANSACTIONS**

**MASTER SUPPLY AGREEMENT AND MASTER PURCHASE  
AGREEMENT WITH SICHUAN CHANGHONG ELECTRIC**

**RENEWAL OF EXISTING MASTER SUPPLY AGREEMENT AND MASTER  
PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 19 April 2016 in relation to the 2016 Master Supply Agreement and the 2016 Master Purchase Agreement.

As the 2016 Master Supply Agreement and the 2016 Master Purchase Agreement will expire on 31 December 2016, the Board is pleased to announce that, on 14 December 2016, the Company and Sichuan Changhong Electric entered into (i) the Master Supply Agreement pursuant to which the Company agreed to supply, or procure its subsidiaries to supply, the Supply Products to the Sichuan Changhong Electric Group; and (ii) the Master Purchase Agreement pursuant to which the Company agreed to purchase, or procure its subsidiaries to purchase, the Purchase Products from the Sichuan Changhong Electric Group.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Sichuan Changhong Electric held as to approximately 23.19% equity interests in Sichuan Changhong, the controlling shareholder of the Company. Sichuan Changhong and Sichuan Changhong Electric are controlling shareholders of the Company under the GEM Listing Rules, and accordingly the transactions contemplated under each of the Master Supply Agreement and Master Purchase Agreement constitute continuing connected transactions for the Company for the purpose of the GEM Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the annual transaction amount under each of the Master Supply Agreement and Master Purchase Agreement is more than 0.1% but less than 5%, the entering into each of the Master Purchase Agreement and the Master Supply Agreement as well as the transactions contemplated thereunder are exempt from the circular and Independent Shareholders' approval requirements but subject to announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

## **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 19 April 2016 in relation to the 2016 Master Supply Agreement and the 2016 Master Purchase Agreement.

As the 2016 Master Supply Agreement and the 2016 Master Purchase Agreement will expire on 31 December 2016, the Board is pleased to announce that, on 14 December 2016, the Company and Sichuan Changhong Electric entered into (i) the Master Supply Agreement pursuant to which the Company agreed to supply, or procure its subsidiaries to supply, the Supply Products to the Sichuan Changhong Electric Group; and (ii) the Master Purchase Agreement pursuant to which the Company agreed to purchase, or procure its subsidiaries to purchase, the Purchase Products from the Sichuan Changhong Electric Group.

Details of the Master Supply Agreement and the Master Purchase Agreement are set out as follows:

### **THE MASTER SUPPLY AGREEMENT**

#### **Date**

14 December 2016

#### **Parties**

- (1) the Company (as the supplier)
- (2) Sichuan Changhong Electric (as the purchaser)

#### **Subject matter**

Pursuant to the Master Supply Agreement, the Company agreed to supply, or procure its subsidiaries to supply, the Supply Products to the Sichuan Changhong Electric Group.

The Group and the Sichuan Changhong Electric Group will enter into individual orders setting out specific terms of each individual purchase of Supply Products. The terms of the individual orders will be consistent with the principles and the terms of the Master Supply Agreement. If there is any conflict between the terms of an individual order and the Master Supply Agreement, the latter shall prevail.

### **Term**

The Master Supply Agreement has a fixed term commencing from 1 January 2017 to 31 December 2017 (both days inclusive).

### **Pricing policy**

As a general principle, the price and terms of the individual orders in respect of the supply of the Supply Products by the Group to Sichuan Changhong Electric Group will be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent third party customers and shall be on terms which are no less favourable to the Group than those provided to independent third party customers.

The Group will take into account the following factors when determining the prices of the Supply Products:

- (1) the expected material costs and production costs to be incurred by the Group in providing the Supply Products;
- (2) the marginal profit to be made by the Group, which is expected to be comparable to the profit that can be realised by sales to independent third party customers; and
- (3) any adjustments based on expected quantity, quality, delivery plan, specification and market competition condition of the Supply Products.

### **Cap amount**

The transaction amount of all the Supply Products supplied under the Master Supply Agreement for the year ending 31 December 2017 shall not exceed RMB60,000,000.

The annual cap under the Master Supply Agreement was determined based on the following factors:

- (1) the expected quantity of the Supply Products to be ordered by Sichuan Changhong Electric Group based on preliminary negotiations with Sichuan Changhong Electric;

- (2) the prevailing open market prices of the Supply Products in the PRC; and
- (3) the historical transaction amounts between the Company and Sichuan Changhong Electric for the period from 1 January 2016 and ended 30 November 2016 and the historical transaction amounts between the Company and Sichuan Changhong for the financial years ended 31 December 2013, 2014 and 2015, respectively.

The historical transaction amount of supply of the Supply Products by the Group to Sichuan Changhong Electric Group for the eleven months ended 30 November 2016 and the historical transaction amount of supply of the Supply Products by the Group to Sichuan Changhong for each of the years ended 31 December 2013, 2014 and 2015 and the eleven months ended 30 November 2016 were as follows:

	For the financial year ended 31 December 2013 <i>(HK\$'000)</i>	For the financial year ended 31 December 2014 <i>(HK\$'000)</i>	For the financial year ended 31 December 2015 <i>(HK\$'000)</i>	For the period from 1 January 2016 and ended 30 November 2016 <i>(HK\$'000)</i>
Annual cap under the 2012 Master Supply Agreement and 2016 Master Supply Agreement	2,431,931	2,675,124	2,942,637	65,000
Historical transaction amounts	1,250,122	43,757	91,695	56,920

### **Reasons for and benefits of entering into the Master Supply Agreement**

The Group has historically been supplying IT products to Sichuan Changhong, which is owned as to 23.19% by Sichuan Changhong Electric, and has been supplying IT products to Sichuan Changhong Electric Group since the entering into of the 2016 Master Supply Agreement. The parties entered into the Master Supply Agreement to continue the business relationship upon expiry of the 2016 Master Supply Agreement taking into consideration that Sichuan Changhong Electric Group has a broad distribution network as well as its established long-term and solid reputation in the market. The entering into of the Master Supply Agreement will enable the Company to continue capitalising on the stable and well-established strategic business relationship with Sichuan Changhong Electric Group and maintain a stable income stream with a committed source of orders from Sichuan Changhong Electric Group, which in turn will benefit the Group's revenue growth and future development.

Based on the above, the Directors (including independent non-executive Directors but excluding the Directors who abstained from voting) are of the view that the Master Supply Agreement was entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

# **THE MASTER PURCHASE AGREEMENT**

## **Date**

14 December 2016

## **Parties**

- (1) the Company (as the purchaser)
- (2) Sichuan Changhong Electric (as the supplier)

## **Subject matter**

Pursuant to the Master Purchase Agreement, the Company agreed to purchase, or procure its subsidiaries to purchase, the Purchase Products from the Sichuan Changhong Electric Group. The Purchase Products to be purchased by the Group will be used for meeting the needs of customers in project business.

The Group and the Sichuan Changhong Electric Group will enter into individual orders setting out specific terms of each individual purchase of Purchase Products. The terms of the individual orders will be consistent with the principles and the terms of the Master Purchase Agreement. If there is any conflict between the terms of an individual order and the Master Purchase Agreement, the latter shall prevail.

## **Term**

The Master Purchase Agreement has a fixed term commencing from 1 January 2017 to 31 December 2017 (both days inclusive).

## **Pricing policy**

Each individual purchase of the Purchase Products will be conducted on normal commercial terms negotiated on an arm's length basis, or on terms which are no less favourable than those provided by independent third party suppliers.

When determining the purchase prices of the Purchase Products, the Group will take into account the prices offered by independent third party suppliers in normal course of business and on normal commercial terms.

## Cap amount

The transaction amount of all the Purchase Products purchased under the Master Purchase Agreement for the year ending 31 December 2017 shall not exceed RMB5,250,000.

The annual cap under the Master Purchase Agreement was determined based on the following factors:

- (1) the expected quantity of the Purchase Products to be purchased by the Group;
- (2) the prevailing open market prices of the Purchase Products in the PRC; and
- (3) the historical transaction amounts between the Company and Sichuan Changhong Electric for the period from 1 January 2016 and ended 30 November 2016 and the historical transaction amounts between the Company and Sichuan Changhong for the financial years ended 31 December 2013, 2014 and 2015, respectively.

The historical transaction amount of purchase of the Purchase Products by the Group from Sichuan Changhong Electric Group for each of the three financial years ended 31 December 2014, 2015 and 2016 and the eleven months ended 30 November 2016 were as follows:

	For the financial year ended 31 December 2013 (HK\$'000)	For the financial year ended 31 December 2014 (HK\$'000)	For the financial year ended 31 December 2015 (HK\$'000)	For the period from 1 January 2016 and ended 30 November 2016 (HK\$'000)
Annual cap under the 2012 Master Purchase Agreement and 2016 Master Purchase Agreement	1,118,956	1,230,852	1,353,937	5,000
Historical transaction amounts	990,232	19,676	N/A	151

## **Reasons for and benefits of entering into the Master Purchase Agreement**

In the past, the Group has been purchasing software and services from Sichuan Changhong, which is owned as to 23.19% by Sichuan Changhong Electric, and has been purchasing software and services from Sichuan Changhong Electric Group since the entering into of the 2016 Master Purchase Agreement. The parties entered into the Master Purchase Agreement to continue the business relationship upon expiry of the 2016 Master Purchase Agreement taking into consideration that Sichuan Changhong Electric has a wide scope of product offering. Accordingly, the entering into of the Master Purchase Agreement will enhance the diversification of products to be supplied to the Group. Taking into account that the Group has a stable and well-established strategic business relationship with Sichuan Changhong Electric Group, Sichuan Changhong Electric Group has a deep understanding as to the specifications of the Purchase Products required by the Group, and the entering into of the Master Purchase Agreement will continue to support the stable growth and expansion of the business of the Group, the Directors believe the entering into of the Master Purchase Agreement will benefit the Group's revenue growth and future development.

Based on the above, the Directors (including independent non-executive Directors but excluding the Directors who abstained from voting) are of the view that the Master Purchase Agreement was entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS**

The pricing policies for all the continuing connected transactions of the Group will be supervised and monitored by senior manager of the Group's internal audit department and the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The senior manager of the Group's internal audit department and relevant personnel and management of the Group in charge will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of the their respective agreements and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policies. The independent non-executive Directors would continue to review the transactions contemplated under the relevant continuing connected transactions. The Company's auditors would also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the relevant continuing connected transactions have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

## **GENERAL**

The Company has been listed on GEM since 24 January 2000. The Group is principally engaged in the distribution of IT consumer products and IT corporate products.

The principal business of Sichuan Changhong Electric is investment holding. Sichuan Changhong Electric Group holds interests in various businesses, including, among others manufacturing and sales of consumer electronic appliances (holds through Sichuan Changhong) and property development (holds through other business entities).

Mr. Zhao Yong, Mr. Yu Xiao and Mr. Wu Xiangtao, each being an executive Director, are considered to be interested in the transactions contemplated under each of the Master Purchase Agreement and the Master Supply Agreement. Therefore, each of Mr. Zhao Yong, Mr. Yu Xiao and Mr. Wu Xiangtao has abstained from voting for the Board resolution to approve each of the Master Purchase Agreement and the Master Supply Agreement and the transactions contemplated thereunder.

## **GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, Sichuan Changhong Electric held approximately 23.19% of the equity interest in Sichuan Changhong, the controlling shareholder of the Company. Therefore, Sichuan Changhong and Sichuan Changhong Electric are both controlling shareholders of the Company under the GEM Listing Rules, and the entering into of the Master Purchase Agreement and the Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company for the purpose of the GEM Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 19.06 of the GEM Listing Rules of the proposed annual caps in respect of the annual transaction amount under each of the Master Purchase Agreement and the Master Supply Agreement are more than 0.1% but less than 5%, the entering into each of the Master Purchase Agreement and the Master Supply Agreement as well as the transactions contemplated thereunder are exempt from the circular and Independent Shareholders' approval requirements but subject to announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.



## DEFINITIONS

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

“2012 Master Purchase Agreement”	the master purchase agreement dated 7 December 2012 entered into by and between the Company and Sichuan Changhong
“2012 Master Supply Agreement”	the master supply agreement dated 7 December 2012 entered into by and between the Company and Sichuan Changhong
“2016 Master Purchase Agreement”	the master purchase agreement dated 19 April 2016 entered into by and between the Company and Sichuan Changhong Electric
“2016 Master Supply Agreement”	the master supply agreement dated 19 April 2016 entered into by and between the Company and Sichuan Changhong Electric
“Board”	the board of Directors
“Company”	Changhong Jiahua Holdings Limited (長虹佳華控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	shareholder(s) of the Company with no material interests in the Master Supply Agreement and the Master Purchase Agreement and the transactions contemplated thereunder

“Master Purchase Agreement”	the master purchase agreement dated 14 December 2016 entered into between the Company and Sichuan Changhong Electric in relation to purchase of the Purchase Products
“Master Supply Agreement”	the master supply agreement dated 14 December 2016 entered into between the Company and Sichuan Changhong Electric in relation to supply of the Supply Products
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchase Products”	including software, services and other ancillary products to be purchased by the Group from Sichuan Changhong Electric Group pursuant to the Master Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares with a nominal value of HK\$0.0250 each in the capital of the Company
“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, whose shares are listed on the Shanghai Stock Exchange and which beneficially holds approximately 69.32% of the existing issued ordinary share capital of the Company as at the date of this announcement
“Sichuan Changhong Electric”	Sichuan Changhong Electric Holding Group Co., Ltd. (四川長虹電子控股集團有限公司), a company established under the laws of the PRC and which holds 23.19% of the equity interest in Sichuan Changhong as at the date of this announcement
“Sichuan Changhong Electric Group”	Sichuan Changhong Electric and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Supply Products”	IT products such as personal computers, servers, storage devices and network equipment to be supplied by the Group to Sichuan Changhong Electric Group pursuant to the Master Supply Agreement
“%”	per cent.

By order of the Board  
**Changhong Jiahua Holdings Limited**  
**Zhao Yong**  
*Chairman*

Hong Kong, 14 December 2016

*As at the date of this announcement, the Company’s executive Directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, Mr. Wu Xiangtao and Ms. Shi Ping, and the Company’s 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 GEM Listing Rules 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 or deceptive; (2) there are no other matters the omission of which would make any statement herein or 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 appear on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the day of its posting thereon and on the website of the Company at <http://www.changhongit.com.hk>.*