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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)

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO  
PROPOSED ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
WIDE MIRACLE LIMITED**

**Financial Adviser to the Company**



Shenyin Wanguo Capital (H.K.) Limited

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**Reorient Financial Markets Limited**

**THE SP AGREEMENT**

On 21 April 2014, Changhong (Hong Kong) Enterprises entered into the SP Agreement with the Vendors pursuant to which Changhong (Hong Kong) Enterprises has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Shares, for a Consideration of HK\$223,652,000. Subject to the fulfilment (or waiver) of the Conditions Precedent, the

Consideration will be satisfied by the Company allotting and issuing, credited as fully paid, of 223,652,000 Consideration Shares at an issue price of HK\$1.00 each to the Vendors (or such other person as the Vendors may nominate).

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, one of the Vendors, Typical Faith, is wholly owned by Mr. Zhu. Mr. Zhu is an executive Director of the Company. As such, Typical Faith is a connected person of the Company within the meaning of the GEM Listing Rules and therefore, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules.

Furthermore, since certain of the applicable percentage ratios stipulated under Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 25%, the Acquisition also constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

An Independent Board Committee has been established to advise the independent Shareholders in respect of the terms of the SP Agreement and the transactions contemplated thereunder.

### **SGM**

An SGM will be convened and held for the independent Shareholders to consider, and if thought fit, to approve, among other matters, the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the SP Agreement. The votes of the independent Shareholders regarding the resolution for approval of the SP Agreement and the transactions contemplated thereunder will be taken by way of poll at the SGM.

The Circular containing, among other matters, (i) further information on the Acquisition; (ii) the advice of the independent financial adviser regarding the Acquisition; (iii) the recommendation of the Independent Board Committee regarding the Acquisition; and (iv) the notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 14 May 2014.

### **THE SP AGREEMENT**

The Board wishes to announce that Changhong (Hong Kong) Enterprises has entered into the SP Agreement with the Vendors in respect of the acquisition of the entire issued share capital of Wide Miracle, which owns 10% equity interest in Changhong IT, a 90%-owned subsidiary of the Company. Major terms of the SP Agreement are set out below:

**Date:**

21 April 2014

**Parties:**

- (1) Purchaser: Changhong (Hong Kong) Enterprises
- (2) Vendors:
- (i) Typical Faith;
  - (ii) Real Oasis; and
  - (iii) Orient Axis.

**Assets to be acquired:**

The Vendors have conditionally agreed to sell, and Changhong (Hong Kong) Enterprises has conditionally agreed to purchase, the Sale Shares free from all encumbrances for an aggregate consideration of HK\$223,652,000. The Sale Shares represent the entire issued share capital of Wide Miracle, which owns 10% of the equity interest in Changhong IT and, of which 36.85%, 31.58% and 31.57% of the issued share capital is owned by Typical Faith, Real Oasis and Orient Axis, respectively.

**Consideration:**

The Consideration for the Sale Shares is HK\$223,652,000, which shall be satisfied by the allotment and issue, credited as fully paid, of 223,652,000 Consideration Shares at an issue price of HK\$1.00 per Consideration Share by the Company to the Vendors (or their respective nominee(s)) at Completion in the proportion set out below:

<b>Names (or their respective nominee(s))</b>	<b>Number of Consideration Shares</b>
Typical Faith	82,415,762
Real Oasis	70,629,302
Orient Axis	70,606,936

The Consideration and the issue price of HK\$1.00 per Consideration Share were determined among the parties after arm's length negotiations with reference to, among other matters, the acquisition by the Company of the 90% of the equity interest in Changhong IT on 22 January 2013, whereby the Company allotted and issued to Fit Generation as vendor (i) 135,000,000 Shares at an issue price of HK\$1.00 each; and (ii) 1,877,868,000 Convertible Preference Shares at an issue price of HK\$1.00 each to settle the aggregate consideration of HK\$2,012,868,000 on the same day. The Directors consider that the basis of the Consideration is fair and reasonable, and the settlement of the Consideration by the allotment and issue of the Consideration Shares is beneficial to the Company and the Shareholders as a whole.

**Conditions Precedent:**

Completion is conditional upon, among others, Fit Generation having converted not less than 762,000,000 Convertible Preference Shares into Shares on or before Completion, Changhong (Hong Kong) Enterprises being satisfied with the results of the due diligence review of, among other things, the business, legal and financial aspects of Wide Miracle, and all necessary consents and approvals in relation to the transactions contemplated under the SP Agreement, having been obtained by the Company and such consents and approvals should be valid up to the Completion Date, including, but not limited to, (i) the passing of the ordinary resolution by the independent Shareholders at the SGM approving the Acquisition and the allotment and issue of the Consideration Shares; and (ii) the approval by the Stock Exchange for the listing of, and permission to deal, in the Consideration Shares.

If the Condition Precedents have not been fulfilled or waived on or before 5:00 p.m. on 31 July 2014 (or such later date as Changhong (Hong Kong) Enterprises and the Vendors may agree in writing), the SP Agreement shall be terminated. All provisions (save as the survival clauses in relation to notice and miscellaneous matters) of the SP Agreement shall cease to be enforceable and the obligations of the parties thereunder shall cease and terminate. No party shall have any claim against the other save for the claim in respect of any antecedent breach of the SP Agreement.

**Completion:**

Completion of the SP Agreement will take place on the 5th Business Day after the fulfillment (or waiver) of all Conditions Precedent (or such other date as Changhong (Hong Kong) Enterprises and the Vendors may agree in writing). The sale and purchase of the Sale Shares with respect to each of the Vendors are inter-conditional and the completion thereof shall take place simultaneously.

**Consideration Shares:**

The 223,652,000 Consideration Shares represent (i) approximately 47.69% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.37% of the issued share capital of the Company as enlarged by allotment and the issue of the Consideration Shares and assuming that Fit Generation has converted 762,000,000 Convertible Preference Shares into Shares.

The issue price of HK\$1.00 per Consideration Share represents:

- (a) a discount of approximately 33.3% to HK\$1.5, being the closing price of the Shares on the last trading day preceding the date of the SP Agreement;
- (b) a discount of approximately 29.7% to the average closing price of HK\$1.422 per Share for the last five trading days up to and including the last trading day preceding the date of the SP Agreement;

- (c) a discount of approximately 27.6% to the average closing price of HK\$1.381 per Share for the last 10 trading days up to and including the last trading day preceding the date of the SP Agreement;
- (d) a discount of approximately 52.4% to the net asset value attributable to Shareholders per Share of HK\$2.10 based on the audited consolidated net asset value of the Group as at 31 December 2013 of approximately HK\$983,274,000 and 469,000,000 Shares in issue as at the date of this announcement; and
- (e) a premium of approximately 138.1% over the net asset value attributable to Shareholders per Share of HK\$0.42 based on the audited consolidated net asset value of the Group as at 31 December 2013 of approximately HK\$983,274,000 and an aggregate of 2,346,868,000 Shares and Convertible Preference Shares in issue as at the date of this announcement.

The Consideration Shares will be allotted and issued by the Company pursuant to the Specific Mandate to be sought at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank pari passu among themselves and with all Shares in issue on the Completion Date.

Pursuant to a deed of trust and confirmation dated on the date of the SP Agreement entered into between the Management Team Owners or Mr. Zhu and the relevant Vendors, each of the Management Team Owners and Mr. Zhu has acknowledged that all their beneficial interest in the 10% equity interest in Changhong IT is now with Wide Miracle and in consideration thereof, the Vendors will hold on trust the Consideration Shares and all dividends and entitlements (including voting right) accrued or to accrue upon the Consideration Shares for each of the Management Team Owners and Mr. Zhu (as the case may be).

The Directors consider that the terms of the issue of the Consideration Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON WIDE MIRACLE**

Wide Miracle is a company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and holds 10% of the equity interest in Changhong IT, an indirect 90%-owned subsidiary of the Company.

Changhong IT is owned as to 90% by Changhong (Hong Kong) Enterprises and 10% by Wide Miracle. It is principally engaged in the distribution of IT consumer products (including personal computers, digital products and IT accessories) and IT corporate products (including storage products, minicomputers, network products, PC servers, IBMS products and UC&CC products) in the PRC.

Set out below is certain unaudited financial information of Wide Miracle prepared in accordance with the Hong Kong Financial Reporting Standards for the period from 9 May 2013 (being the date of its incorporation) to 31 December 2013:

**From 9 May 2013 to  
31 December 2013**  
*HK\$'000*

Turnover	Nil
Loss before taxation	8
Loss after taxation	8

**As at 31 December  
2013**  
*HK\$'000*

Net assets	82,217
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## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the distribution of IT consumer products and corporate products. Each of the Vendors is an investment holding company.

Upon Completion, the Company's interests in Changhong IT will increase from 90% to 100%. As such, Changhong IT will become a wholly-owned subsidiary of the Company and its financial statements will be fully consolidated into the financial statements of the Company. From the financial perspective, the Group's consolidated results and net asset value attributable to Shareholders will increase accordingly since 100% instead of 90% interests in Changhong IT will be accounted for and the non-controlling interests in Changhong IT will no longer exist as a result of the Acquisition.

Furthermore, the Board considers that the Acquisition rationalises the shareholding structure of the Group by taking the non-controlling interests in Changhong IT to the level of the Company so that their interests can be aligned with those of the Shareholders at the same level, which is beneficial to the Company in terms of carrying out its dividend policy and managing other interests of the Shareholders.

The Board also considers that the allotment and issue of the Consideration Shares is fair and reasonable despite its dilutive impact on the existing shareholdings since it is relatively faster, straightforward, interest-free and gearing-free as compared to alternatives, such as debt financing and a rights issue, which will take the Company a longer period of time to negotiate terms and execute the whole process prior to completion.

The Directors are of the view that the SP Agreement and the terms of the SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhu, no Director has a material interest in the SP Agreement and is required to abstain from voting at the meeting of the Board approving the SP Agreement and the transactions contemplated thereunder. Mr. Zhu has abstained from voting in the meeting of the Board approving the SP Agreement.

To the best of the Directors' knowledge, information and belief, no Shareholder is required to abstain from voting at the SGM.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, one of the Vendors, Typical Faith, is wholly owned by Mr. Zhu. Mr. Zhu is an executive Director of the Company. As such, Mr. Zhu and Typical Faith are connected persons of the Company within the meaning of the GEM Listing Rules and therefore, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules.

Based on the information provided to the Company, the Directors consider that the original purchase cost of the Sale Shares held by Typical Faith is RMB7.37 million.

Furthermore, since certain of the applicable percentage ratios stipulated under Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed 25%, the Acquisition also constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

An Independent Board Committee has been established to advise the independent Shareholders in respect of the terms of the SP Agreement and the transactions contemplated thereunder.

## **SGM**

An SGM will be convened and held for the independent Shareholders to consider, and if thought fit, to approve, among other matters, the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the SP Agreement. The votes of the independent Shareholders regarding the resolution for approval of the SP Agreement and the transactions contemplated thereunder will be taken by way of poll at the SGM.

The Circular containing, among other matters, (i) further information on the Acquisition; (ii) the advice of the independent financial adviser regarding the Acquisition; (iii) the recommendation of the Independent Board Committee regarding the Acquisition; and (iv) the notice convening the SGM and a form of proxy will be despatched to the Shareholders on or before 14 May 2014.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Sale Shares by Changhong (Hong Kong) Enterprises pursuant to the terms of the SP Agreement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Changhong (Hong Kong) Enterprises”	Changhong (Hong Kong) Enterprises Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, the purchaser of the Sale Shares under the SP Agreement
“Changhong IT”	Changhong IT Information Products Co., Ltd, a company established under the laws of the PRC, of which the equity interest is held as to 90% by Changhong (Hong Kong) Enterprises and 10% by Wide Miracle
“Circular”	the circular to be despatched to the Shareholders by the Company relating to, among other matters, the Acquisition
“Company”	Changhong Jiahua Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the provisions of the SP Agreement
“Completion Date”	the date on which Completion is to take place
“Conditions Precedent”	conditions precedent to the completion of the SP Agreement as set out in the paragraph headed “Conditions Precedent” in this announcement
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	the total consideration of HK\$223,652,000 payable by the Company to the Vendors for the Acquisition



“Consideration Shares”	the 82,415,762, 70,629,302 and 70,606,936 new Shares, totalling 223,652,000 new Shares, to be allotted and issued, credited as fully paid, by the Company to Typical Faith, Real Oasis and Orient Axis respectively, at an issue price of HK\$1.00 each to satisfy the Consideration
“Convertible Preference Shares”	the non-redeemable restricted voting convertible preference shares allotted and issued by the Company
“Director(s)”	the director(s) of the Company
“Fit Generation”	Fit Generation Holding Limited, a company incorporated in the British Virgin Islands, of which the entire share capital is held by Changhong (Hong Kong) Trading Limited, which is a wholly-owned subsidiary of Sichuan Changhong
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established by all the independent non-executive Directors to advise the independent Shareholders on the terms of the SP Agreement and the transactions contemplated thereunder
“Management Interests”	the interests of the management team members of Changhong IT in 10% equity interest in Changhong IT held by Mr. Zhu as to 3.685% for himself and remaining of the 10% for other Management Team Owners immediately before the date of the SP Agreement
“Mr. Dong”	Mr. Dong Qiang
“Mr. Zhu”	Mr. Zhu Jianqiu, an executive director of the Company
“Ms. Su”	Ms. Su Huiqing
“Orient Axis”	Orient Axis Limited, a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Mr. Dong

“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Real Oasis”	Real Oasis Limited, a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Ms Su
“RMB”	Renminbi, the lawful currency of the PRC
“Management Team Owners”	the members of the management team of Changhong IT, being the beneficial owners of the 6.315% equity interests in Changhong IT (out of the Management Interests) immediately before the date of the SP Agreement
“Sale Shares”	the 10,000 ordinary shares of HK\$0.2 each in the capital of Wide Miracle, being its entire issued share capital, of which Typical Faith, Real Oasis and Orient Axis owns 36.85%, 31.58% and 31.57% respectively
“SGM”	the special general meeting of the Company to be convened and held for the independent Shareholders to consider and, if thought fit, to approve, among other matters, the Acquisition as contemplated under the SP Agreement
“Shares”	ordinary shares of the Company of HK\$0.025 each
“Shareholder(s)”	shareholder(s) of the Company
“Sichuan Changhong”	Sichuan Changhong Electric Co., Limited, a company established under the laws of the PRC with limited liability, the issued A-shares of which are listed on the Shanghai Stock Exchange (stock code: 600839.SH) and owns, together with its wholly-owned subsidiaries, 52.53% of the issued share capital of the Company
“SP Agreement”	the sale and purchase agreement dated 21 April 2014 entered into between Changhong (Hong Kong) Enterprises and the Vendors in relation to the Acquisition
“Specific Mandate”	the specific mandate to be sought at the SGM to authorise the Directors to allot and issue the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Typical Faith”	Typical Faith Limited, a limited liability company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zhu
“Vendors”	Typical Faith, Real Oasis and Orient Axis
“Wide Miracle”	Wide Miracle Limited, a limited liability company incorporated in the British Virgin Islands, is owned as to 36.85%, 31.58% and 31.57% by Typical Faith, Real Oasis and Orient Axis, respectively, and owns 10% of the equity interest of Changhong IT
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 21 April 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, Mr. Tang Yun, Mr. Wu Xiangtao, Ms. Shi Ping and Mr. Xiang Chao Yang and the independent non-executive directors of the Company 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 issuer 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 Group. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*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>.*