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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)

CONNECTED TRANSACTION
ESTABLISHMENT OF THE PARTNERSHIP

On 11 August 2015, Changhong IT Digital (an indirect wholly-owned subsidiary of the Company) entered into the Partnership Agreement with GHTIC, Guangzhou Huanwang, Hefei Meiling, Sichuan Changhong, Sichuan Hongyun and STTC, under which they agreed to establish the Partnership.

The Partnership will be registered in the PRC as a limited partnership. 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 is subject to the obtaining of approvals from the Ministry of Finance of the PRC and the National Development and Reform Commission of the PRC, and the completion of all applicable registrations and filings in the PRC. The Partnership will be established on the date of establishment as specified in its business license.

Sichuan Changhong, as the ultimate controlling shareholder of the Company, is a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Given that the General Partner who managed the Partnership is owned by Sichuan Changhong as to 40% of its registered capital, the General Partner is an associate of Sichuan Changhong and thus a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Therefore, the entering into of the Partnership Agreement by Changhong IT Digital to establish the Partnership constitutes a connected transaction for the Company for the purpose of Chapter 20 of the GEM Listing Rules.

As at least one relevant percentage ratio applicable to this transaction is more than 0.1% but less than 5%, the entering of the Partnership Agreement and the transaction contemplated thereunder is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

On 11 August 2015, Changhong IT Digital (an indirect wholly-owned subsidiary of the Company) entered into the Partnership Agreement with GHTIC, Guangzhou Huanwang, Hefei Meiling, Sichuan Changhong, Sichuan Hongyun and STTC, under which they agreed to establish the Partnership.

THE PARTNERSHIP AGREEMENT

The principal terms of the Partnership Agreement are set out as follows:

Date

11 August 2015

Parties

- (1) General Partner: Sichuan Hongyun
- (2) Limited Partners: Changhong IT Digital, GHTIC, Guangzhou Huanwang, Hefei Meiling, Sichuan Changhong and STTC

Establishment of the Partnership

The Partnership will be registered in the PRC as a limited partnership. 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 is subject to the obtaining of approvals from the Ministry of Finance of the PRC and the National Development and Reform Commission of the PRC, and the completion of all applicable registrations and filings in the PRC. The Partnership will be established on the date of establishment as specified in its business license.

Capital Commitment

Pursuant to the terms of the Partnership Agreement, the initial total capital commitment of the Partnership will be not less than RMB250 million, and the initial capital commitment payable by each Partner and its equity interest in the Partnership is as follows:

	Capital Commitment <i>(RMB)</i>	Percentage of equity interest in the Partnership	Status
Sichuan Hongyun	2,500,000	1.0%	General Partner
Changhong IT Digital	27,500,000	11.0%	Limited Partner
GHTIC	50,000,000	20.0%	Limited Partner

	Capital Commitment <i>(RMB)</i>	Percentage of equity interest in the Partnership	Status
Guangzhou Huanwang	30,000,000	12.0%	Limited Partner
Hefei Meiling	40,000,000	16.0%	Limited Partner
Sichuan Changhong	50,000,000	20.0%	Limited Partner
STTC	50,000,000	20.0%	Limited Partner
Total:	250,000,000	100.0%	

The relevant capital commitment 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 commitment to the Partnership from the internal resources of the Group.

Timing of making capital commitment

Sichuan Hongyun as the General Partner to the Partnership shall pay 30% of its capital commitment in cash within 15 business days upon completion of the establishment of the Partnership and the business license being obtained. Thereafter, Sichuan Hongyun shall issue a payment notice to each of the limited partners to the Partnership (except for GHTIC). Changhong IT Digital as one of the Limited Partners to the Partnership shall make its contributions to the Partnership by paying 30% of its capital commitment in RMB (i.e. RMB8,250,000) in cash within 15 business days after the issue of the payment notices by the General Partner. Thereafter, the General Partner may issue payment notice(s) to Changhong IT Digital in respect of the outstanding capital commitments at any time depending on the investment projects and other needs of the Partnership.

Scope of Investment

The scope of investment of the Partnership will primarily focus on enterprises with high growth potential who are engaging in new intellectual technology areas including, among others, the development of smart terminal technology enhancing hardware and software, innovative smart terminal equipment, cloud computing and big data technology (the "**Target Business**").

It is currently expected that not less than 60% of total capital commitment of the Partnership will be used on enterprises in Sichuan Province, the PRC, which are engaging in the Target Business and are at their initial or early-mid stages.

Term of the Partnership

The term of the Partnership shall be eight years from the date of establishment of the Partnership, of which the investment period shall be four years and the exit period shall be four years commencing from the day following the expiry of the investment period. The term of the Partnership may be further extended for not more than one year if the Partners unanimously agree to such extension.

Management of the Partnership

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

Pursuant to the Partnership Agreement, Sichuan Hongyun acting as the General Partner is entitled to receive a management fee of 2% per annum of the total capital contribution to the Partnership during the four years investment period of the Partnership, and 1.5% per annum for the four years exit period of the Partnership.

Distributions

Amounts of the Partnership available for distribution will be distributed to all the Partners in proportion to their respective capital contribution to the Partnership until each Partner has received an amount equal to its capital contribution. If there is any surplus, 80% thereof shall be distributed to the Limited Partners in proportion to their respective capital contributed to the Partnership; and the remaining 20% shall be distributed to the General Partner.

Share of loss

In the event of loss, the General Partner shall bear such loss in the amount equivalent to its capital contribution to the Partnership. When the loss exceeds the capital contribution by the General Partner, such additional loss shall be equally borne by the other Limited Partners in proportion to their capital contribution to the Partnership. If the loss of the Partnership is caused by the breach of the obligations of the General Partner under the Partnership Agreement, the General Partner shall be responsible for such loss and indemnify the Partnership.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

The scope of investment of the Partnership is in line with the national policy of the PRC and the business strategy of the Group. The Directors believe that the Target Business has enormous business potential, and hence consider that the entering into of the Partnership Agreement to invest in the Target Business can facilitate the Company's overall strategic transformation and enhancing the Company's competitive advantages as a whole.

The Directors (including 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 among the parties thereto, reflects 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 transactions thereunder are fair and reasonable.

OTHERS

Mr. Zhao Yong, Mr. Yu Xiao, Mr. Tang Yun and Mr. Wu Xiangtao, each being an executive Director, are considered to be interested in the entering into of the Partnership Agreement. Each of Mr. Zhao Yong, Mr. Yu Xiao, Mr. Tang Yun and Mr. Wu Xiangtao therefore has abstained from voting in the Board to approve the entering into of the Partnership Agreement.

INFORMATION ON THE RELEVANT PARTIES

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

Sichuan Changhong is the substantial shareholder of the Company. Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics items under the name of "Changhong".

Changhong IT Digital is an indirect wholly-owned subsidiary of the Company. Changhong IT Digital is principally engaged in the distribution of IT consumer products (including personal computers, digital products, IT accessories and electronic communication devices) and the development, sale and production of digital technology.

GHTIC is a state-owned enterprise established under the laws of the PRC. GHTIC is principally engaged in the investment in high technology industries such as electronics, pharmaceuticals, auto parts and new materials. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, GHTIC is a third party independent from the Company and its connected persons.

Guangzhou Huanwang is a company established under the laws of the PRC with a total registered capital of approximately RMB35.3 million, which is owned as to 31.96% by Sichuan Changhong and the rest by independent third parties. Guangzhou Huanwang is an associate of Sichuan Changhong and thus a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. It is principally engaged in computer technology development and technical services, the wholesale and retail sale of computer and computer software and online services.

Hefei Meiling is a company established under the laws of the PRC with a total registered capital of approximately RMB763.7 million, which is owned as to 24.88% by Sichuan Changhong and the rest by independent third parties. Hefei Meiling is principally engaged in the manufacturing of refrigeration appliances, air conditioners, washing machines, heaters, plastic products, packaging materials and ornaments.

Sichuan Hongyun is a company established under the laws of the PRC with a total registered capital of RMB5.0 million, which is owned as to 40% by Sichuan Changhong and the rest by a independent third party. Sichuan Hongyun is the General Partner as well as the manager of the Partnership and is responsible for managing and making decisions regarding the investment businesses of the Partnership.

STTC is a state-owned enterprise established under the laws of the PRC. STTC is principally engaged in technology development and transfer, technical advisory services, technology assessment, technology development, science and technology financial services, and technology exchange and training. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, STTC is a third party independent from the Company and its connected persons.

IMPLICATIONS UNDER THE GEM LISTING RULES

Sichuan Changhong, as the ultimate controlling shareholder of the Company, is a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Given that the General Partner who managed the Partnership is owned by Sichuan Changhong as to 40% of its registered capital, the General Partner is an associate of Sichuan Changhong and thus a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Therefore, the entering into of the Partnership Agreement by Changhong IT Digital to establish the Partnership constitutes a connected transaction for the Company for the purpose of Chapter 20 of the GEM Listing Rules.

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DEFINITIONS

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

“associate”	has the meaning ascribed to such term in the GEM Listing Rules
“Board”	the board of Directors of the Company

“Changhong IT Digital”	Changhong IT Digital Technology Co., Ltd, a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Company”	Changhong Jiahua Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
“connected person”	has the meaning ascribed to such term in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“General Partner”	the general partner of the Partnership, namely Sichuan Hongyun
“GHTIC”	Guotou High Technology Investment Company Limited* (國投高科技投資有限公司), a state-owned enterprise established under the laws of the PRC and an independent third party
“Group”	the Company and its subsidiaries
“Guangzhou Huanwang”	Guangzhou Huanwang Technology Co., Ltd.* (廣州歡網科技有限責任公司), a company established under the laws of the PRC and is owned as to 31.96% by Sichuan Changhong
“Hefei Meiling”	Hefei Meiling Co., Ltd.* (合肥美菱股份有限公司), a company established under the laws of the PRC and is owned as to 24.88% by Sichuan Changhong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Limited Partners”	the limited partners of the Partnership, namely Changhong IT Digital, GHTIC, Guangzhou Huanwang, Hefei Meiling, Sichuan Changhong and STTC
“Partners”	the General Partner and the Limited Partners

“Partnership”	Sichuan Hongyun New Generation of IT Venture Capital Fund* (四川虹雲新一代信息技術創業投資基金), a limited partnership to be established and registered under the laws of the PRC pursuant to the Partnership Agreement
“Partnership Agreement”	the partnership agreement dated 11 August 2015 entered into among the Partners in relation to the establishment and management of the Partnership
“percentage ratios”	has the meaning ascribed to such term in Rule 19.04(9) of the GEM Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement only, which excludes Hong Kong, the Macau Special Administration Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares 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, 69.32% of the Company
“Sichuan Hongyun”	Sichuan Hongyun Venture Capital Management Co., Ltd.* (四川虹雲創業股權投資管理有限公司), a company established under the laws of the PRC and is owned as to 40% by Sichuan Changhong. Accordingly, Sichuan Hongyun is an associate of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* For identification purpose only

“STTC” Sichuan Technology Transfer Center* (四川省技術轉移中心), a state-owned enterprise established under the laws of the PRC and an independent third party

“%” per cent

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

Hong Kong, 11 August 2015

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 and Ms. Shi Ping 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 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>.