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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 AND ENTERING INTO ADDITIONAL CHANGHONG IT LEASE

RENEWAL OF THE EXISTING CHANGHONG IT LEASE (BEIJING) AND ENTERING INTO ADDITIONAL CHANGHONG IT LEASE (CHENGDU)

1. Renewal of the Existing Changhong IT Lease (Beijing)

References are made to the announcements of the Company dated 22 May 2020 and 31 March 2021 in relation to the 2020 Changhong IT Lease and 2021 Changhong IT Lease.

As the 2020 Changhong IT Lease and 2021 Changhong IT Lease will expire on 31 May 2023, the Board announces that, on 25 May 2023, Changhong IT entered into the 2023 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 2020 Changhong IT Lease and 2021 Changhong IT Lease.

2. Entering into Additional Changhong IT Lease (Chengdu)

The Board announces that, on 25 May 2023, Changhong IT entered into the 2023 Changhong IT Lease (Chengdu) with Chengdu Changhong in relation to the leasing of certain premises in Chengdu, which will be used by Changhong IT as its office.

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, Beijing Changhong and Chengdu Changhong are connected persons of the Company. Accordingly, the entering into of the 2023 Changhong IT Lease (Beijing) and 2023 Changhong IT Lease (Chengdu) (the “**2023 Changhong IT Leases**”) constitute connected transactions 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 2023 Changhong IT 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 estimated value of the right-of-use asset to be recognised by the Group under the 2023 Changhong IT Leases in aggregate are more than 0.1% and less than 5%, the entering into of the 2023 Changhong IT Leases 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)

References are made to the announcements of the Company dated 22 May 2020 and 31 March 2021 in relation to the 2020 Changhong IT Lease and 2021 Changhong IT Lease.

As the 2020 Changhong IT Lease and 2021 Changhong IT Lease will expire on 31 May 2023, the Board announces that, on 25 May 2023, Changhong IT entered into the 2023 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 2020 Changhong IT Lease and 2021 Changhong IT Lease.

Principal terms of the 2023 Changhong IT Lease (Beijing) are set out as follows:

Date:	25 May 2023
Parties:	(i) Changhong IT, as tenant; and (ii) Beijing Changhong, as landlord.
Premises:	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)
Terms:	One year commencing from 1 June 2023 to 31 May 2024
Rent:	RMB515,566.30 per month

The rent under the 2023 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.

ENTERING INTO ADDITIONAL CHANGHONG IT LEASE (CHENGDU)

The Board announces that, on 25 May 2023, Changhong IT entered into the 2023 Changhong IT Lease (Chengdu) with Chengdu Changhong in relation to the leasing of certain premises in Chengdu, which will be used by Changhong IT as its office.

Principal terms of the 2023 Changhong IT Lease (Chengdu) are set out as follows:

Date:	25 May 2023
Parties:	(i) Changhong IT, as tenant; and (ii) Chengdu Changhong, as landlord.
Premises:	Certain portions of 4th and 5th Floor, Block B of Changhong Science and Technology Building, 199 Tianfu 4th Road, Gaoxin District, Chengdu, the PRC (with an aggregate floor area of 885.08 square meters)
Terms:	Three years commencing from 1 June 2023 to 31 May 2026
Rent:	RMB44,254.00 per month commencing from 1 June 2023 to 31 May 2025, RMB46,466.70 per month commencing from 1 June 2025 to 31 May 2026

The rent under the 2023 Changhong IT Lease (Chengdu) 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 2023 CHANGHONG IT 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 2023 Changhong IT 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 2023 Changhong IT Leases 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 2023 Changhong IT Leases 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, Beijing Changhong and Chengdu Changhong are connected persons of the Company. Accordingly, the entering into of the 2023 Changhong IT Leases constitutes 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 2023 Changhong IT Leases, 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 2023 Changhong IT Leases is estimated to be approximately RMB7,592,212.34 (equivalent to approximately HK\$8,466,836.56), being the present value of the aggregate lease payments using the rate applicable at the commencement date of the 2023 Changhong IT Leases in accordance with HKFRS 16. The discount rate of 4.3% is applied to compute the present value of aggregate lease payments under the 2023 Changhong IT Leases. 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 2023 Changhong IT 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 estimated value of the right-of-use asset to be recognised by the Group under the 2023 Changhong IT Leases in aggregate are more than 0.1% and less than 5%, the entering into of the 2023 Changhong IT Leases 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. Pan Xiaoyong (“**Mr. Pan**”), Mr. Zhang Xiaolong (“**Mr. Zhang**”) and Mr. Zhao Qilin (“**Mr. Zhao**”), being executive directors of the Company and director or management of Sichuan Changhong, are considered to be interested in the 2023 Changhong IT Leases. Therefore, Mr. Pan, Mr. Zhang and Mr. Zhao have abstained from voting for the Board resolutions approving the entering into of the 2023 Changhong IT Leases.

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 ICT 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.

Chengdu Changhong is a company established in the PRC with limited liability and indirectly owned as to 99.95% by Sichuan Changhong. Chengdu 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:

“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
“2020 Changhong IT Lease”	the lease agreement dated 22 May 2020 and entered into between Changhong IT and Beijing Changhong, details of which are set out in the announcement of the Company dated 22 May 2020
“2021 Changhong IT Lease”	the lease agreement dated 30 March 2021 and entered into between Changhong IT and Beijing Changhong, details of which are set out in the announcement of the Company dated 31 March 2021
“2023 Changhong IT Lease (Beijing)”	the lease agreement dated 25 May 2023 and entered into between Changhong IT and Beijing Changhong
“2023 Changhong IT Lease (Chengdu)”	the lease agreement dated 25 May 2023 and entered into between Changhong IT and Chengdu 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 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, 25 May 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Zhu Jianqiu, Mr. Pan Xiaoyong, Mr. Zhang Xiaolong, Mr. Zhao Qilin, Ms. Su Huiqing and Mr. Zhou Jiachao and the independent non-executive Directors of the Company are Mr. Jonathan Chan Ming Sun, Mr. Gao Xudong and Mr. Meng Qingbin.

** For identification purpose*