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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)

**CONTINUING CONNECTED TRANSACTIONS —  
FINANCIAL SERVICES AGREEMENT BETWEEN  
CHANGHONG IT INFORMATION PRODUCTS CO., LTD AND  
SICHUAN CHANGHONG GROUP FINANCE CO., LTD**

**FINANCIAL SERVICES AGREEMENT**

On 26 March 2015, the Financial Services Agreement was entered into between Changhong IT and Changhong Finance, pursuant to which Changhong Finance agreed to provide Financial Services to Changhong IT in accordance with the terms and conditions of the Financial Services Agreement.

**IMPLICATIONS UNDER THE LISTING RULES**

Changhong Finance is a company owned as to 50% by Sichuan Changhong, the controlling shareholder of the Company and 50% by Sichuan Changhong Electric, a company which holds approximately 23.19% of the equity interest of Sichuan Changhong. Accordingly, Changhong Finance is an associate of a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules, and accordingly the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company for the purpose of the GEM Listing Rules.

As the highest of the applicable percentage ratios of the proposed annual caps in respect of the deposit services under the Financial Services Agreement exceed 5% on an annual basis, the deposit services under the Financial Services Agreement and the proposed annual caps constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The loan services under the Financial Services Agreement will constitute financial assistance provided by a connected person. As such loan services will be provided on normal commercial terms or on terms which are more favorable to Changhong IT and will not be secured by the assets of the Group, the loan services under the Financial Services Agreement are exempt from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the highest of the applicable percentage ratios of the proposed annual caps in respect of the settlement services under the Financial Services Agreement are less than 5%, such settlement services are exempt from circular and independent shareholders' approval requirements but subject to announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

In the event that Changhong Finance provides any further financial services to Changhong IT under the Financial Services Agreement, the Company will determine the percentage ratios and re-comply with the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules if and to the extent that such requirement apply.

## **GENERAL**

Pursuant to the Listing Rules, the Independent Board Committee will be established to advise the Independent Shareholders as to whether the terms of transactions contemplated under the Financial Services Agreement and the proposed annual caps for the deposit services thereunder for the periods ending 31 December 2015, 2016 and 2017 are fair and reasonable and in the interest of the Company and its Shareholders as a whole, and the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the transactions contemplated under the Financial Services Agreement and the proposed annual caps for the relevant financial services thereunder for the periods ending 31 December 2015, 2016 and 2017; (ii) the recommendation from the Independent Board Committee in respect of the Financial Services Agreement; and (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement, together with a notice of the extraordinary general meeting, will be despatched to the Shareholders on or before 21 April 2015.

## **FINANCIAL SERVICES AGREEMENT**

On 26 March 2015, the Financial Services Agreement was entered into between Changhong IT and Changhong Finance, pursuant to which Changhong Finance agreed to provide Financial Services to Changhong IT in accordance with the terms and conditions of the Financial Services Agreement.

Particulars of the Financial Services Agreement are as follows:

<b>Date:</b>	26 March 2015
<b>Parties:</b>	Changhong IT, a wholly-owned subsidiary of the Company  Changhong Finance
<b>Term:</b>	A fixed term from the date of the Financial Services Agreement and ending on 31 December 2017 (both dates inclusive)
<b>Nature of transactions:</b>	Provision of financial services, including but not limited to, (i) deposit services; (ii) loan services; and (iii) settlement services; (collectively, the “ <b>Financial Services</b> ”)
<b>Effectiveness</b>	If approval of the Independent Shareholders is required under the Listing Rules, the Financial Services Agreement will only become effective upon obtaining such approval.
<b>Pricing and Payment terms:</b>	<p>In relation to the deposit services pursuant to the Financial Services Agreement, the interest rate applicable to any deposits made available by Changhong IT to Changhong Finance will be determined in the ordinary course of business and shall not be less than (i) the minimum interest rate prescribed by PBOC at such relevant time; and (ii) the interest rate available to Changhong IT from other major commercial banks in the PRC independent to Changhong IT in respect of the same type of deposits.</p> <p>In relation to the loan services pursuant to the Financial Services Agreement, the interest rate of the loans to be granted by Changhong Finance to Changhong IT will be determined in the ordinary course of business and shall not be higher than (i) the maximum interest rate prescribed by PBOC at such relevant time; and (ii) the interest rate charged against Changhong IT by other major commercial banks in the PRC independent to Changhong IT in respect of the same type of loans.</p> <p>In relation to the settlement services pursuant to the Financial Services Agreement, the settlement service fees to be charged by Changhong Finance will be determined in the ordinary course of business and shall not exceed the fees charged by other settlement services providers independent to Changhong IT in respect of the same type of settlement services.</p>

## PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION FOR ANNUAL CAPS

The proposed annual caps for the periods ending 31 December 2015, 2016 and 2017 for each of (i) deposit services; (ii) loan services; and (iii) settlement services are determined with reference to their respective market rates. Changhong IT will continue to observe the rates from other similar service providers to ensure that the services provided pursuant to the Financial Services Agreement is fair and reasonable and in the interests of its Shareholders as a whole and that the fair market principles for the Company using such financial services is maintained.

The annual caps for the each of (i) deposit services; (ii) loan services; and (iii) settlement services under the Financial Services Agreement are set forth as below:

### Deposit Services

The annual caps for the deposit services pursuant to the Financial Services Agreement are as follows:

	<b>Annual cap for the year ending 31 December 2015</b> <i>(RMB'000 per day)</i>	<b>Annual cap for the year ending 31 December 2016</b> <i>(RMB'000 per day)</i>	<b>Annual cap for the year ending 31 December 2017</b> <i>(RMB'000 per day)</i>
Maximum daily outstanding balance of deposits to be deposited by Changhong IT with Changhong Finance (including interest accrued and handling fees thereon)	500,000	600,000	800,000

The above annual caps are subject to the conditions that (i) the total deposit amount deposited by Changhong IT not exceeding 30% of the total deposit amount taken by Changhong Finance; and (ii) the total deposits by Changhong IT with Changhong Finance not exceeding the maximum amount of credit line to be provided by Changhong Finance to Changhong IT (including loans, guarantees and acceptances issued).

The annual caps for the deposit amount was determined based on arm's length negotiation between the parties to the Financial Services Agreement, taking into account the effectiveness and reasonableness of the financial management of Changhong IT and Changhong Finance. The annual caps for the deposit amount were determined based on the maximum amount of credit line available by Changhong Finance to Changhong IT. Changhong IT should assist Changhong Finance in monitoring the implementation of the annual caps.

## Loan Services

The annual caps for the loans services pursuant to the Financial Services Agreement are as follows:

	<b>Annual cap for the year ending 31 December 2015</b> <i>(RMB'000)</i>	<b>Annual cap for the year ending 31 December 2016</b> <i>(RMB'000)</i>	<b>Annual cap for the year ending 31 December 2017</b> <i>(RMB'000)</i>
Maximum daily outstanding balance of loans to be granted by Changhong Finance to Changhong IT (including interest accrued and handling fees thereon)	500,000	600,000	800,000

The annual cap for the loans amount to be provided by Changhong Finance to Changhong IT pursuant to the Financial Services Agreement are determined with reference to the expected business development needs and the increasing funding requirement in light of the business demand of Changhong IT, taking into account of the source of funding required that is necessary for Changhong IT's operations and expected growth. Changhong IT should assist Changhong Finance in monitoring the implementation of the maximum outstanding balance.

## Settlement Services

The annual caps for the settlement services pursuant to the Financial Services Agreement are as follows:

	<b>Annual cap for the year ending 31 December 2015</b> <i>(RMB'000)</i>	<b>Annual cap for the year ending 31 December 2016</b> <i>(RMB'000)</i>	<b>Annual cap for the year ending 31 December 2017</b> <i>(RMB'000)</i>
Maximum service fees for the settlement services to be provided by Changhong Finance to Changhong IT	5,000	5,000	5,000

The annual cap for the service fees for the settlement services to be provided by Changhong Finance to Changhong IT pursuant to the Financial Services Agreement is determined with reference to the expected settlement fees that will be derived from the maximum expected deposit and loan services required by Changhong IT from Changhong Finance.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES AGREEMENT**

Changhong Finance is a non-bank financial institution which is subject to the regulations of the PBOC and the CBRC and is authorised to provide a range of financial services including but not limited to depository, loan, settlement, bill discounting, guarantees and other financial services approved by the CBRC.

The deposit interest rates and the lending rates offered by Changhong Finance to Changhong IT will be equal to or more favorable to Changhong IT than those offered by independent commercial banks in the PRC to Changhong IT for comparable deposits or, as the case may be, loans. The Financial Services Agreement is therefore expected not only to provide Changhong IT with new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. Changhong IT is also expected to be in a better position to manage the security of its funds since it is not considered to be exposed to any significant capital risk.

The Financial Services Agreement does not preclude Changhong IT from using the services of other financial institutions. Changhong IT still has the right to select any other major and independent PRC commercial banks as its financial services providers as it, from time to time, thinks fit and appropriate for the benefit of Changhong IT.

## **INTERNAL CONTROL**

Subject to the general pricing principle and payment terms disclosed above, the pricing policy will be supervised and monitored by the relevant personnel of the Group in charge to ensure the Financial Services Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel of the Group will also conduct regular checks to review and assess whether the transactions contemplated under the Financial Services Agreement are conducted in accordance with the terms of each of the Financial Services Agreement and in accordance with the aforesaid pricing policy. The Company will also engage its auditors to conduct an annual review of the transactions thereunder the Financial Services Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Changhong Finance is a company owned as to 50% by Sichuan Changhong, the controlling shareholder of the Company and 50% by Sichuan Changhong Electric, a company which holds approximately 23.19% of the equity interest of Sichuan Changhong. Accordingly, Changhong Finance is an associate of a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules, and accordingly the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company for the purpose of the GEM Listing Rules.

As the highest of the applicable percentage ratios of the proposed annual caps in respect of the deposit services under the Financial Services Agreement exceed 5% on an annual basis, the deposit services under the Financial Services Agreement and the proposed annual caps constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The loan services under the Financial Services Agreement will constitute financial assistance provided by a connected person. As such loan services will be provided on normal commercial terms or on terms which are more favorable to Changhong IT and will not be secured by the assets of the Group, the loan services under the Financial Services Agreement are exempt from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the highest of the applicable percentage ratios of the proposed annual caps in respect of each of the settlement services and other services under the Financial Services Agreement is more than 0.1% but less than 5%, the settlement services are exempt from independent shareholders' approval requirements but subject to announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

In the event that Changhong Finance provides any further financial services to Changhong IT under the Financial Services Agreement, the Company will determine the percentage ratios and re-comply with the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules if and to the extent that such requirement apply.

## **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 transactions contemplated under each of the Financial Services Agreement. Each of Mr. Zhao Yong, Mr. Yu Xiao, Mr. Tang Yun and Mr. Wu Xiangtao therefore has abstained from voting for the Board resolution to approve the Financial Services Agreement and the transactions contemplated thereunder.

## **INFORMATION ON THE RELEVANT PARTIES**

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

Changhong IT is a wholly-owned subsidiary by Sichuan Changhong. 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.

Changhong Finance is a company owned as to 50% by Sichuan Changhong, the controlling shareholder of the Company and 50% by Sichuan Changhong Electric, a company which holds approximately 23.19% of the equity interest of Sichuan Changhong. It has strong financial strength and experience in providing financial services. After obtaining the Financial License and Business License of the Enterprise Legal Person, Changhong Finance will provide range of financial services including but not limited to depository, loan, settlement, bill discounting, guarantees and other financial services approved by the CBRC to Changhong IT.

## **GENERAL**

Pursuant to the Listing Rules, the Independent Board Committee will be established to advise the Independent Shareholders as to whether the terms of transactions contemplated under the Financial Services Agreement and the proposed annual caps for the deposit services thereunder for the periods ending 31 December 2015, 2016 and 2017 are fair and reasonable and in the interest of the Company and its Shareholders as a whole, and the Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the transactions contemplated under the Financial Services Agreement and the proposed annual caps for the relevant financial services thereunder for the periods ending 31 December 2015, 2016 and 2017; (ii) the recommendation from the Independent Board Committee in respect of the Financial Services Agreement; and (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement, together with a notice of the extraordinary general meeting, will be despatched to the Shareholders on or before 21 April 2015.

## **DEFINITIONS**

“Board”	the board of Directors
“Changhong Finance”	Sichuan Changhong Group Finance Co., Ltd, a company established in the PRC and owned as to 50% by Sichuan Changhong, and 50% by Sichuan Changhong Electric
“Changhong IT”	Changhong IT Information Products Co., Ltd, a company established under the laws of the PRC and a 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
“Director(s)”	director(s) of the Company

“Financial Services Agreement”	the financial services agreement entered into on 26 March 2015 by Changhong IT and Changhong Finance pursuant to which Changhong Finance agreed to provide certain Financial Services to Changhong IT
“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
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board comprising of all the independent non-executive Directors
“Independent Financial Adviser”	the independent financial adviser to be appointed to advice to the Independent Board Committee
“Independent Shareholders”	the Shareholders other than those with material interest in the Financial Services Agreement who are required to abstain from voting under the Listing Rules to approve the transactions under the Financial Services Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China
“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 Changhong Electric” Sichuan Changhong Electronics Group Co., Ltd. (四川長虹電子集團有限公司), a company established under the laws of the PRC and which holds approximately 23.19% of the equity interest of Sichuan Changhong as at the date of this announcement

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Hong Kong, Date: 26 March 2015

*As at the date of this report, the executive Directors 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 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. 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 document misleading.*