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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**  
**INVOLVING**  
**A WAIVER OF RIGHT OF FIRST REFUSAL**

**WAIVER OF RIGHT OF FIRST REFUSAL**

On 21 October 2013, the Company through its subsidiary, Changhong (Hong Kong) Enterprises, waived the right of first refusal to acquire the Management Interests in connection with the Proposed Reorganization.

**GEM LISTING RULES IMPLICATIONS**

Changhong IT is held beneficially as to 90% by Changhong (Hong Kong) Enterprises (a subsidiary of the Company), 6.315% by various management team members of Changhong IT (excluding Mr. Zhu) and 3.685% by Mr. Zhu (a Director) respectively. The Management Interests involved both Mr. Zhu's 3.685% equity interest and the other Management Team Owners' 6.315% equity interest. The waiver of the right of first refusal to acquire the Management Interests (to the extent it relates to Mr. Zhu's Interests) in connection with the Proposed Reorganization constitutes a connected transaction for the Company under Chapter 19 of the GEM Listing Rules.

Since each of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Zhu Waiver (assuming the right of first refusal with respect to Mr. Zhu's Interests were exercised) is less than 5%, the Zhu Waiver is only subject to the reporting and announcement requirements and does not require the approval by the independent shareholders of the Company under Chapter 20 of the GEM Listing Rules.

## **BACKGROUND**

As at the date of this announcement, the registered capital of Changhong IT is RMB200,000,000 and the equity interests of Changhong IT is owned as to 90% by Changhong (Hong Kong) Enterprises (a wholly owned subsidiary of the Company) and 10% by Mr. Zhu (subject to the Incentive Plan for Changhong IT's management team members (out of which Mr. Zhu has personal and beneficial interests in only 3.685% interests in Changhong IT)).

Changhong IT implemented the Incentive Plan with an aim to combine the long term interest of the relevant members of the management team and employees with the long term development of Changhong IT, to maintain the stability of its management team, and to promote the sustainable, healthy and steady development of Changhong IT.

## **WAIVER OF THE RIGHT OF FIRST REFUSAL**

Mr. Zhu (for himself and the other Management Team Owners) has informed Changhong (Hong Kong) Enterprises of the Proposed Reorganization.

Pursuant to the articles of association of Changhong IT, if any shareholder of Changhong IT intends to sell or transfer their equity interest in Changhong IT, the other shareholder(s) shall have the right of first refusal to acquire such equity interest under the same conditions. Accordingly, Mr. Zhu (for himself and the other Management Team Owners) has requested Changhong (Hong Kong) Enterprises to waive the right of first refusal which arises from the implementation of the Proposed Reorganization.

The Company understands that the purpose of the Proposed Reorganization is to facilitate the flexibility of the Management Team Owners to hold or deal in their equity interest in an offshore structure and will enhance the attractiveness and value of the 10% equity interest owned by the Management Team Owners.

The Waiver will not change the Company's equity interest in or affect its control over Changhong IT, and therefore it would not have any material adverse impact on the Company.

None of the Directors (other than Mr. Zhu) has material interest in the Waiver and save for Mr. Zhu, none of the Directors has abstained from voting at the meeting of the board of directors of the Company to approve the Waiver. The Waiver was duly approved at the meeting of the board of directors of the Company on 25 September 2013.

The Directors (including the independent non-executive Directors) are of the view that the Waiver is in line with the Company's objective to incentivize its key management team through equity participation, is fair and reasonable and on normal commercial terms and in the ordinary course of business of the Company and is in the interests of the shareholders of the Company as a whole.

Accordingly, the Company, through Changhong (Hong Kong) Enterprises, issued a letter to Mr. Zhu informing him that it would grant the Waiver requested. The Waiver is given subject to and conditional upon compliance with applicable laws and regulations (including any listing rules) to which Changhong (Hong Kong) Enterprises or its holding company is subject.

No money or consideration is payable or has been paid between the Company and Mr. Zhu or other Management Team Owners in respect of the Waiver.

Based on the audited accounts of Changhong IT, the net profits (both before and after taxation and extraordinary items) of Changhong IT for the two financial years ended 31 December 2012 were as follows:

<b>Year</b>	<b>2012</b>	<b>2011</b>
	<i>HKD</i>	<i>HKD</i>
Net profit before taxation and extraordinary item	307,109,000	296,024,000
Net profit after taxation and extraordinary item	236,517,000	233,354,000

Based on the audited accounts of Changhong IT as at 31 December 2012, the net asset value of Changhong IT was approximately HKD849,922,000 and accordingly, the net asset value attributable to Mr. Zhu's Interests would be approximately HKD31,319,626.

Immediately following the completion of Proposed Reorganization, Changhong IT will continue to be a 90% indirectly owned subsidiary of the Company and the beneficial interests of the Management Interests will remain unchanged.

## **INFORMATION OF THE RELEVANT PARTIES**

The Company and its subsidiaries are principally engaged in the businesses of distribution of IT consumer and corporate products and trading of consumer electronics products and related parts.

Changhong IT is an indirectly 90% owned subsidiary of the Company.

In addition to his role as a nominee for the Management Team Owners under the Incentive Plan, Mr. Zhu is a Director and the chief executive officer of Changhong IT.

## **GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Company indirectly holds 90% of the equity interest in Changhong IT, a subsidiary of the Company. Pursuant to Chapter 20 of the GEM Listing Rules, Mr. Zhu, a Director, is a connected person of the Company. Accordingly, the Waiver (to the extent it relates to Mr. Zhu's Interests) constitutes a connected transaction of the Company under Rule 20.70(3) of the GEM Listing Rules.

Since each of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Zhu Waiver (assuming the right of first refusal were exercised with respect to Mr. Zhu's Interests) is less than 5%, the Waiver is only subject to reporting and announcement requirements and does not require the approval by the independent shareholders of the Company under Chapter 20 of the GEM Listing Rules.

## DEFINITIONS

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

“Board”	the board of directors
“Changhong (Hong Kong) Enterprises”	Changhong (Hong Kong) Enterprises Limited (港虹實業有限公司), a company incorporated in Hong Kong and which holds 90% of the equity interest of Changhong IT
“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
“Company”	Changhong Jiahua Holdings Limited, a company incorporated in Bermuda with limited liability whose ordinary shares are listed on GEM (stock code: 8016)
“Director(s)”	the director(s) of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Incentive Plan”	the employee dividend incentive plan which has been implemented by Changhong IT since 2004 for the benefit of the management and employees of Changhong IT and the details of which have been set out in page 49 of the Company's circular dated 12 December 2012
“Management Interests”	the interests of the team members of Changhong IT in 10% equity interest in Changhong IT currently held by Mr. Zhu as to 3.685% for himself and remaining of the 10% for other Management Team Owners
“Management Team Owners”	the members of the management team of Changhong IT who are beneficial owners of the 6.315% equity interests in Changhong IT

“Mr. Zhu”	Zhu Jianqiu, the chief executive officer of Changhong IT and a Director. He is also a nominee holding the Management Interests on behalf of the Management Team Owners
“Mr. Zhu’s Interests”	the 3.685% equity interest in Changhong IT which are personally and beneficially owned by Mr. Zhu Jianqiu (which forms part of the Management Interests)
“New Holdco”	Wide Miracle Limited, a company incorporated in British Virgin Islands and whose equity interests are ultimately held by Su Huiqing and Dong Qiang (both senior management team members of Changhong IT). The directors of Wide Miracle Limited are Su Huiqing and Dong Qiang. New Holdco will continue to hold the Management Interests pursuant to the Incentive Plan on behalf of Mr. Zhu and other relevant Management Team Owners.
“PRC”	the People’s Republic of China
“Proposed Reorganization”	the proposed transfer of the Management Interests currently held by Mr. Zhu to the New Holdco. The New Holdco will continue to hold the Management Interests on behalf of the relevant beneficial owners i.e. Mr. Zhu and the other Management Team Owners
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waiver”	the waiver of the right of first refusal under the articles of association of Changhong IT to acquire the Management Interests (including Mr. Zhu’s Interests) in connection with the Proposed Reorganization
“Zhu Waiver”	the waiver of the right of first refusal under the articles of association of Changhong IT to acquire Mr. Zhu’s Interests in connection with the Proposed Reorganization

By Order of the Board  
**Zhao Yong**  
*Chairman*

Hong Kong, 21 October 2013

*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 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 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>.*