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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)

VOLUNTARY ANNOUNCEMENT
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN CHOD

THE SHARE TRANSFER AGREEMENT

The Board announces that on 14 December 2016, the Company entered into the Share Transfer Agreement with Mr. He pursuant to which the Company agreed to transfer the entire issued share capital in CHOD to Mr. He at a consideration of HK\$100.

Upon Completion, CHOD will cease to be a direct wholly-owned subsidiary of the Company and its financial results will no longer be consolidated into the financial results of the Group.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Disposal contemplated under the Share Transfer Agreement do not exceed 5%, the entering into of the Share Transfer Agreement and the Disposal contemplated thereunder do not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. This is a voluntary announcement made by the Company.

THE SHARE TRANSFER AGREEMENT

Date

14 December 2016

Parties

- (1) the Company (as the vendor)
- (2) Mr. He (as the purchaser)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. He is an Independent Third Party.

Subject matters

Pursuant to the terms of the Share Transfer Agreement, the Company agreed to dispose of, and Mr. He agreed to acquire, the entire issued share capital in CHOD. Within one month after the signing of the Share Transfer Agreement, CHOD shall cease to adopt “長虹” or “Changhong” as its name and shall arrange to change its name accordingly.

As at the date of this announcement, CHOD is undertaking loss recovery proceedings against one of its former employees due to the misappropriation of certain assets of CHOD by this employee. For further details, please refer to the announcements of the Company dated 15 June 2015, 19 June 2015, 20 July 2015 and 19 October 2015, respectively.

Pursuant to the terms of the Share Transfer Agreement, the Company agreed to continually support CHOD's loss recovery proceedings and provide an amount up to HK\$2.0 million to CHOD to cover the expenses incurred by CHOD for pursuing the loss recovery proceedings. If the relevant expenses incurred by CHOD exceed HK\$2.0 million, the excess amount of such expenses shall be borne by Mr. He. If CHOD succeeds in recovering money in the loss recovery proceedings, the Company and Mr. He agreed that the recovered amount shall be applied in the following manner:

- (1) firstly, for settlement of other expenses incurred by CHOD and other debts due and payable;
- (2) secondly, any remaining amount after deduction of the amount in (1) above shall be used to compensate the legal costs incurred by the parties proportionally; and

- (3) lastly, any remaining amount after deduction of the amount in (2) above, shall be apportioned between the Company and Mr. He in accordance with a ratio of 70% and 30%, respectively.

Consideration

The consideration payable by Mr. He for the Disposal is HK\$100. The consideration for the Disposal shall be payable within five business days after the signing of the Share Transfer Agreement and shall be paid by Mr. He to the Company by remittance into the bank account designated by the Company in accordance with the terms of the Share Transfer Agreement.

The consideration for the Disposal was determined after arm's length negotiation between the parties involved on normal commercial terms with reference to (i) the net liabilities of CHOD of HK\$9.54 million based on the audited accounts of CHOD as at 30 October 2016 (after the Company waived all the debts owed to it by CHOD); and (ii) the Company's agreement to provide an amount up to HK\$2.0 million to CHOD to cover the expenses incurred by CHOD for pursuing the loss recovery proceedings.

Completion

Completion shall take place on the date when the Company has completed the transfer of the entire issued share capital in CHOD to Mr. He and upon which the shareholder and director of CHOD has been changed to personnel as designated by Mr. He.

All taxes payable and expenses incurred in order to complete the Disposal shall be borne by the Company.

INFORMATION ON THE COMPANY AND CHOD

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

CHOD is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. CHOD is principally engaged in trading of consumer electronic products and related parts and components business.

Based on the audited accounts of CHOD, CHOD had a net liabilities of HK\$9.54 million as at 30 October 2016. The net profit/loss before and after taxation of CHOD for the two financial years ended 31 December 2014 and 2015 are summarised as follows:

	For the financial year ended 31 December 2014 <i>(HK\$' million)</i>	For the financial year ended 31 December 2015 <i>(HK\$' million)</i>
Net profit (loss) before taxation	(377)	(6,722)
Net profit (loss) after taxation	(381)	(6,722)

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company intends to concentrate its resources and attention on its core business, i.e. distribution of IT consumer products and IT corporate products. The Company has no professional capabilities in loss recovery proceedings, and the claims of CHOD against its former employee are expected to be complicated and time-consuming, whereas Mr. He has resources in loss recovery. The Disposal would mitigate the Company's losses and relief the Company from continuous financial impacts as a result of the incident, and would enable the Company to continue the recovery proceedings against the former employee of CHOD at the same time. In addition, the Company is entitled to a proportion of the recovered amount pursuant to the terms of the Share Transfer Agreement.

Based on the above, the Directors consider that the Share Transfer Agreement and the Disposal contemplated thereunder were entered into upon normal commercial terms following arm's length negotiations between the parties thereto and the terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group expects to recognise a gain of approximately HK\$7,648,000 from the Disposal, which is calculated with reference to, among others, (i) an investment gain of approximately HK\$9,548,000 as a result of the Disposal; (ii) the consideration received by the Company in respect of the Disposal; and (iii) the amount of up to HK\$2,000,000 to be provided by the Company to CHOD to support its loss recovery proceedings.

Shareholders and potential investor should note that the actual amount of the gain or loss (as the case may be) on the Disposal to be recognised in the consolidated financial statements of the Company is subject to final audit by the auditor of the Group and therefore may be different from the amount mentioned above.

Upon Completion, the Company will cease to hold any issued share capital in CHOD, CHOD will cease to be a direct wholly-owned subsidiary of the Company and its financial results will no longer be consolidated into the financial results of the Group.

Upon Completion, the gross proceeds that arise from the consideration from the Disposal will be HK\$100. The Board intends to apply the proceeds from the Disposal as general working capital of the Group.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Disposal contemplated under the Share Transfer Agreement do not exceed 5%, the entering into of the Share Transfer Agreement and the Disposal contemplated thereunder do not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. This is a voluntary announcement made by the Company.

DEFINITIONS

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

“Board”	the board of Directors
“CHOD”	Changhong Overseas Development Limited (長虹海外發展有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Company”	Changhong Jiahua Holdings Limited (長虹佳華控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Share Transfer Agreement
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the entire issued share capital of CHOD by the Company to Mr. He as contemplated by the Share Transfer Agreement
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and connected persons of the Company
“Mr. He”	Mr. He Tao (何韜先生), an Independent Third Party who resides in Wangcang County* (旺蒼縣), Sichuan Province, the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares with a nominal value of HK\$0.0250 each in the capital of the Company
“Share Transfer Agreement”	the Share Transfer agreement dated 14 December 2016 and entered into between the Company and Mr. He in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 14 December 2016

* *for identification purposes only*

As at the date of this announcement, the Company's executive Directors are Mr. Zhao Yong, Mr. Zhu Jianqiu, Mr. Yu Xiao, Mr. Wu Xiangtao and Ms. Shi Ping, and the Company's 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 Company 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or 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 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>.