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**CHINA BEST GROUP HOLDING LIMITED**

**國華集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

**(1) COMPLETION OF THE DISCLOSEABLE TRANSACTION  
IN RELATION TO SUBSCRIPTION OF NEW SHARES;  
(2) DEED OF INDEMNITY;  
AND  
(3) CHANGE OF USE OF PROCEEDS FROM OPEN OFFER**

**COMPLETION OF THE SUBSCRIPTION OF NEW SHARES**

The Board is pleased to announce that, in respect of the Subscription Agreement entered into between East Favor Global and Kang Yong on 20 April 2015, all conditions precedent to the Completion have been satisfied. Completion of the Subscription took place on 11 June 2015 in accordance with the terms of the Subscription Agreement.

Immediately following the Completion, East Favor Global became an associate of the Company.

**DEED OF INDEMNITY**

On 11 June 2015, the Indemnifiers (as defined below) executed a deed of indemnity in favor of the Company (on its own behalf and as trustee for Kang Yong and each member of the East Favor Global Group) whereby each of the Indemnifiers covenants and undertakes to indemnify and keep indemnified the Company, Kang Yong and each member of the East Favor Global Group on a joint and several basis against certain loss or liability suffered or incurred by the Company, Kang Yong or any member of the East Favor Global Group.

\* *For identification purposes only*

## **CHANGE OF USE OF PROCEEDS**

The Board also wishes to announce that the Company changed the use of net proceeds raised from the Open Offer, which was originally designated to be utilized for the capital injection into the WFOE for the purpose of establishing the Financial Leasing Business of the Group in the PRC. As at the date of this announcement, HK\$100 million of the net proceeds from the Open Offer has been injected into the WFOE as intended. As the commencement of the Financial Leasing Business encountered some delays, the remaining balance of the capital injection in the WFOE is not due until a later time. In view of the financial resources currently required by the Group to satisfy the consideration of the Subscription, to better utilize the financial resources of the Group, the Board applied the remaining net proceeds from the Open Offer to settle the consideration for the Subscription of HK\$110.25 million.

Reference is made to the announcement of China Best Group Holding Limited (the “**Company**”) dated 20 April 2015 (the “**Announcement**”) in relation to the subscription of 9,608 new East Favor Global Shares by Kang Yong, a wholly-owned subsidiary of the Company. Reference is also made to the Company's prospectus dated 18 December 2014 (the “**Prospectus**”) in relation to the open offer (the “**Open Offer**”) on the basis of one offer share for every two existing shares of the Company. Unless otherwise stated herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement or the Prospectus (as the case may be).

## **COMPLETION OF THE SUBSCRIPTION OF NEW SHARES**

The Board is pleased to announce that, in respect of the Subscription Agreement entered into between East Favor Global and Kang Yong on 20 April 2015, all conditions precedent to the Completion have been satisfied. Completion of the Subscription of 9,608 new East Favor Global Shares (representing approximately 49% of the total issued share capital of East Favor Global as enlarged by the allotment and issue of the Subscription Shares) took place on 11 June 2015 in accordance with the terms of the Subscription Agreement.

Immediately following the Completion, East Favor Global became an associate of the Company. The Company will not control the composition of a majority of the board of directors of East Favor Global and East Favor Global will not be accounted for as a subsidiary of the Company.

## **DEED OF INDEMNITY**

The Board wishes to announce that subsequent to entering into the Subscription Agreement, further discussion had taken place among the Company, Hunghu Group Limited, Express Focus Group Limited, Mr. Deng Junjie and Mr. Li Han (collectively the “**Indemnifiers**”), being the shareholders of East Favor Global and their respective beneficiary owners, in relation to any possible loss or liability suffered or incurred by the Company, Kang Yong or any member of the East Favor Global Group. The Indemnifiers have agreed to indemnify the Company, Kang Yong and each member of the East Favor Global Group against certain liabilities pursuant to the Deed of Indemnity (as defined below).

### **Principal terms of the Deed of Indemnity**

On 11 June 2015, the Indemnifiers executed a deed of indemnity (the “**Deed of Indemnity**”) in favor of the Company (on its own behalf and as trustee for Kang Yong and each member of the East Favor Global Group) whereby each of the Indemnifiers covenants and undertakes to indemnify and keep indemnified the Company, Kang Yong and each member of the East Favor Global Group on a joint and several basis against any loss or liability suffered or incurred by the Company, Kang Yong or any member of the East Favor Global Group including, but not limited to, any liability for tax in relation to any member of the East Favor Global Group which arises in consequence of an event occurring on or before the date of Completion, any losses and damages incurred as a result of or in connection with any failure or defects of corporate or regulatory non-compliance, any failure to obtain the necessary licence, consents or permits for the operation of any member of the East Favor Global Group, and any breach of any contract, agreement or undertaking to which any member of East Favor Global Group is a party on or before the date of Completion and any losses and damages incurred as a result of or in connection with any failure of Qinghai CPV to obtain any land use rights for land parcels in relation to the PRC Project.

The maximum aggregate liability of the Indemnifiers in respect of any and all claims relating to the matters set out in the Deed of Indemnity shall not exceed HK\$110.25 million, being the consideration paid by the Group for the Subscription.

## **Reasons for executing the Deed of Indemnity**

The Company acknowledges that the PRC Project currently undertaken by Qinghai CPV is subject to certain certificates, licences or approvals from the relevant PRC authorities. After further discussion among the Company and the Indemnifiers, the Indemnifiers agreed to execute the Deed of Indemnity to indemnify the Company, Kang Yong and each member of the East Favor Global Group against loss or damages in the unlikely event that the East Favor Global Group fails to obtain any of those certificates, licences or approvals. The Company hence considers that the execution of the Deed of Indemnity by the Indemnifiers in favor of the Company, Kang Yong and each member of the East Favor Global Group against certain potential loss, damages or liabilities is in the interests of the Shareholders of the Company as a whole.

## **CHANGE OF USE OF PROCEEDS**

As disclosed in the Prospectus, the net proceeds from the Open Offer was approximately HK\$211.99 million (subsequently updated to HK\$211.67 million in the Company's 2014 annual report) and the Company intended to apply the net proceeds raised from the Open Offer for the capital injection into the WFOE in the PRC for the purpose of establishing Financial Leasing Business in the PRC. Due to the time required for the formation of the WFOE is longer than expected, the commencement of the Financial Leasing Business encountered some delays. As at the date of this announcement, HK\$100 million of the net proceeds from the Open Offer has been injected into the WFOE as intended. As the remaining balance of the capital injection in the WFOE is not due until a later time and in view of the financial resources currently required by the Group to satisfy the consideration of the Subscription, to better utilize the financial resources of the Group, the Board applied the remaining net proceeds from the Open Offer to settle the consideration for the Subscription of HK\$110.25 million.

In respect of the remaining capital required to be injected into the WFOE, the Company will satisfy it by other source of financing of the Company. The Board considers that the change of use of proceeds from the Open Offer will not have any material adverse impact to the Group's current financial position. Also, since the Financial Leasing Business encountered some delays and the injection of the remaining capital to the WFOE is due at a later time, the Board considers that the change of use of proceeds from the Open Offer is beneficial to the Company and its shareholders as a whole as the Group can utilize its available financial resources more effectively to facilitate the future business development of the Group.

By Order of the Board  
**China Best Group Holding Limited**  
**Mr. Li Yang**  
*Deputy Chairman*

Hong Kong, 11 June 2015

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Tan Xiangdong, Mr. Li Yang, Mr. Li Xiaolong, and Mr. Wang Jian and three independent non-executive directors, namely Mr. Chan Fong Kong Francis, Mr. Chen Zhenguo and Mr. Yuan Guangming.*