

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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) UPDATE ON MAJOR TRANSACTION – LOAN AGREEMENT AND FINANCE LEASE AGREEMENT (2) DELAY IN DESPATCH OF CIRCULAR

On 16 December 2015 (after trading hours), the relevant parties to each of the Loan Agreements and the Finance Lease Agreements entered into the following agreements to reduce the agreed transaction size or to terminate the agreement (as the case may be):-

- a. Rongjinda Finance and Dishangtie entered into the Supplemental Agreement 1 (as defined below) pursuant to which the parties agreed to amend the terms of the Finance Lease Agreement 1 such that, among other things, the total consideration for the leased assets will be reduced from RMB600,000,000 (equivalent to approximately HK\$720,000,000) to RMB115,000,000 (equivalent to approximately HK\$138,000,000);
- b. China Best Finance, Anli Holdings and Mr. Wong entered into the Supplemental Agreement 2 (as defined below) pursuant to which the parties agreed to amend the terms of the Loan Agreement 2 such that, among other things, the principal amount of the loan to be advanced by China Best Finance to Anli Holdings will be reduced from HK\$150,000,000 to HK\$40,000,000;

* For identification purpose only

- c. China Best Finance, Union Perfect and Mr. Jian entered into the Termination Agreement 1 (as defined below) pursuant to which the parties agreed to terminate the Loan Agreement 1 with effect from the date of the Termination Agreement 1; and
- d. Rongjinda Finance and Huanggangbiaoqi entered into the Termination Agreement 2 (as defined below) pursuant to which the parties agreed to terminate the Finance Lease Agreement 2 with effect from the date of the Termination Agreement 2.

LISTING RULES IMPLICATIONS

As the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) and the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) were all of the nature of financial assistance and entered into within a period of 12 months, pursuant to Rule 14.22 of the Listing Rules, the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) and the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) are required to be aggregated in the calculation of the relevant percentage ratios to determine the classification of notifiable transactions for the purpose of the Listing Rules. As the Loan Agreement 1 and the Finance Lease Agreement 2 have been terminated, they will no longer be aggregated in the calculation of the relevant percentage ratios to determine the classification of notifiable transactions for the purpose of the Listing Rules.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) and the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) are more than 25% but less than 100%, the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules.

A SGM will be held to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1), the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) and the transactions contemplated thereunder. As no Shareholder has material interest therein, no Shareholder is required to abstain from voting at the SGM in respect of the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1), the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) and the transactions contemplated thereunder.

DELAY IN DESPATCH OF CIRCULAR

As set out in the Delay in Despatch Announcement, a circular containing, among other things, further details of the Loan Agreements, the Finance Lease Agreements and a notice of the SGM, is expected to be despatched to the Shareholders as soon as practicable on or before 18 December 2015. In light of the New Arrangement (as defined below), additional time is required to prepare the circular. The Company expects that the circular will be despatched to the Shareholders on or before 31 January 2016.

BACKGROUND

References are made to the announcement of the Company dated 2 November 2015 in relation to the Loan Agreements and the Finance Lease Agreements which in aggregate constituted a major transaction for the Company (the “**Announcement**”), the announcement of the Company dated 23 November 2015 in relation to a delay in despatch of the circular containing, among other things, further details about the aforementioned major transaction (the “**Delay in Despatch Announcement**”) and the announcement of the Company dated 9 December 2015 in relation to, among other things, further updates on the subscription proposal (the “**Update Announcement**”). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As set out in the Update Announcement, the proposed subscription proceeds through allotment and issue of new ordinary shares of the Company to the Share Subscribers (as defined in the Update Announcement hereinafter) have been reduced as a result of the Stock Exchange’s rulings. The Company has accordingly revised the funding requirements of the Group and the intended use of the proceeds from the Share Subscription (as defined in the Update Announcement hereinafter) regarding, among other things, the development of the Group’s finance leasing business and money lending business.

Given the reduced proceeds from the Share Subscription as compared to that originally contemplated when the Loan Agreements and the Finance Lease Agreements were entered into on 2 November 2015, the relevant parties to each of the Loan Agreements and the Finance Lease Agreements have entered into negotiations to consider various options about the transactions contemplated under each of the Loan Agreements and the Finance Lease Agreements.

THE NEW ARRANGEMENT

On 16 December 2015 (after trading hours), the relevant parties to each of the Loan Agreements and the Finance Lease Agreements entered into the following agreements to reduce the agreed transaction size or to terminate the agreement (as the case may be) (collectively, the “**New Arrangement**”):-

A. Supplemental Agreement 1 (with respect to the Finance Lease Agreement 1 with Dishangtie)

Rongjinda Finance and Dishangtie entered into a supplemental agreement (the “**Supplemental Agreement 1**”) pursuant to which the parties agreed to amend the terms of the Finance Lease Agreement 1 as follows:

1. Rongjinda Finance conditionally agreed to purchase the motor vehicles from Dishangtie as specified in the Supplemental Agreement 1 (the “**Leased Assets**”) for a total consideration of RMB115,000,000 (equivalent to approximately HK\$138,000,000) (reduced from RMB600,000,000 (equivalent to approximately HK\$720,000,000) in respect of the Leased Assets 1) payable by instalments corresponding to the relevant batch of the Leased Assets.

The consideration in respect of the sale and purchase of the Leased Assets was determined after arm’s length negotiations between Rongjinda Finance and Dishangtie by reference to the carrying values and/or prevailing market price of the Leased Assets. The consideration for the Leased Assets is intended to be funded as to RMB75,000,000 (equivalent to approximately HK\$90,000,000) by the net proceeds from the Share Subscription and as to the remaining amount of the consideration by the financial resources available to the Group.

The lease payments payable by Dishangtie to Rongjinda Finance shall be approximately RMB125,953,000 (equivalent to approximately HK\$151,144,000), being the principal lease cost of RMB115,000,000 (equivalent to approximately HK\$138,000,000) plus the aggregate interest (after tax) of approximately RMB10,953,000 (equivalent to approximately HK\$13,144,000), which shall be payable in twelve quarterly installments.

As set out in the Announcement, in addition, Dishangtie will pay an annual handling fee in an amount equal to 2.5% per annum of the lease payment in respect of the relevant batch of the Leased Assets. Dishangtie will also pay a deposit in the amount of 6% of the consideration for the relevant batch of the Leased Assets at the start of the lease period.

The lease payments, the handling fee and the deposit were determined after arm's length negotiations between Rongjinda Finance and Dishangtie by reference to the principal amounts of the lease and the prevailing market interest rate, handling fee and deposit amount for finance leases of comparable motor vehicles.

2. The conditions precedent for the payment of the consideration for the Leased Assets set out in the Announcement remain unchanged except that Rongjinda Finance shall have obtained capital injection or loan from the Company or its subsidiaries of not less than RMB72,000,000 (equivalent to approximately HK\$86,400,000) (instead of RMB650,000,000 (equivalent to approximately HK\$780,000,000)).

B. Supplemental Agreement 2 (with respect to the Loan Agreement 2 with Anli Holdings)

China Best Finance, Anli Holdings and Mr. Wong entered into a supplemental agreement (the “**Supplemental Agreement 2**”) pursuant to which the parties agreed to amend the terms of the Loan Agreement 2 as follows:

1. The principal amount of the loan to be advanced by China Best Finance to Anli Holdings will be reduced from HK\$150,000,000 to HK\$40,000,000.

The loan in the principal amount of HK\$40,000,000 is intended to be funded entirely by the net proceeds from the Share Subscription.

2. The conditions precedent for the provision of the loan by China Best Finance to Anli Holdings set out in the Announcement remain unchanged except that China Best Finance shall have obtained capital injection or provision of shareholder's loan by the Group of not less than HK\$40,000,000 (instead of HK\$300,000,000).

C. Termination Agreement 1 (with respect to the Loan Agreement 1 with Union Perfect)

China Best Finance, Union Perfect and Mr. Jian entered into a termination agreement (the “**Termination Agreement 1**”) pursuant to which the parties agreed to terminate the Loan Agreement 1 with effect from the date of the Termination Agreement 1.

D. Termination Agreement 2 (with respect to the Finance Lease Agreement 2 with Huanggangbiaoqi)

Rongjinda Finance and Huanggangbiaoqi entered into a termination agreement (the “**Termination Agreement 2**”) pursuant to which the parties agreed to terminate the Finance Lease Agreement 2 with effect from the date of the Termination Agreement 2.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW ARRANGEMENT

As mentioned above, the proposed subscription proceeds through the Share Subscription have been reduced as a result of the Stock Exchange's rulings. The Company has accordingly revised the funding requirements of the Group and the intended use of the proceeds from the Share Subscription regarding, among other things, the development of the Group's finance leasing business and money lending business.

Given the reduced proceeds from the Share Subscription as compared to that originally contemplated when the Loan Agreements and the Finance Lease Agreements were entered into on 2 November 2015, the relevant parties to each of the Loan Agreements and the Finance Lease Agreements have entered into negotiations to consider various options, including reducing the agreed transaction size and/or terminating the agreements, and have entered into the New Arrangement.

Rongjinda Finance is an indirect wholly-owned subsidiary of the Company and is principally engaged in finance leasing business in the PRC. The entering into of the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) is part of the ordinary and usual course of business of Rongjinda Finance which will enable Rongjinda Finance to earn an aggregate income (after tax) of approximately RMB18,325,000 (equivalent to approximately HK\$21,990,000), being the aggregate of (i) interest (after tax) on the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) of approximately RMB10,953,000 (equivalent to approximately HK\$13,144,000); and (ii) handling fee (after tax) derived from the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) of approximately RMB7,372,000 (equivalent to approximately HK\$8,846,000).

China Best Finance is an indirect wholly-owned subsidiary of the Company and a money lender licensed in Hong Kong under the Money Lenders Ordinance. The Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) is conducted in the ordinary and usual course of business of the Group which will provide interest income of HK\$4,800,000 or above to the Group.

The Directors believe that the terms of each of the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) and the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board considers that the termination of the Loan Agreement 1 and the Finance Lease Agreement 2 by the entering into of the Termination Agreement 1 and the Termination Agreement 2 respectively has no material adverse impact on the existing business operation or the financial position of the Group as a whole.

LISTING RULES IMPLICATIONS

As the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) and the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) were all of the nature of financial assistance and entered into within a period of 12 months, pursuant to Rule 14.22 of the Listing Rules, the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) and the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) are required to be aggregated in the calculation of the relevant percentage ratios to determine the classification of notifiable transactions for the purpose of the Listing Rules. As the Loan Agreement 1 and the Finance Lease Agreement 2 have been terminated, they will no longer be aggregated in the calculation of the relevant percentage ratios to determine the classification of notifiable transactions for the purpose of the Listing Rules.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1) and the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) are more than 25% but less than 100%, the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules.

A SGM will be held to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1), the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) and the transactions contemplated thereunder. As no Shareholder has material interest therein, no Shareholder is required to abstain from voting at the SGM in respect of the Finance Lease Agreement 1 (as supplemented and amended by the Supplemental Agreement 1), the Loan Agreement 2 (as supplemented and amended by the Supplemental Agreement 2) and the transactions contemplated thereunder.

DELAY IN DESPATCH OF CIRCULAR

As set out in the Delay in Despatch Announcement, a circular containing, among other things, further details of the Loan Agreements, the Finance Lease Agreements and a notice of the SGM, is expected to be despatched to the Shareholders as soon as practicable on or before 18 December 2015. In light of the New Arrangement, additional time is required to prepare the circular. The Company expects that the circular will be despatched to the Shareholders on or before 31 January 2016.

Shareholders and potential investors may refer to the Announcement for further details of the Finance Lease Agreement 1 and the Loan Agreement 2. Save as disclosed in this announcement, other terms of the Finance lease Agreement 1 and the Loan Agreement 2 remain unchanged.

The figures in RMB are converted into HK\$ at the rate of RMB1:HK\$1.20 throughout this announcement for indicative purpose only.

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

Hong Kong, 16 December 2015

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Tan Xiangdong, Mr. Li Yang and Mr. Wang Jian, and three independent non-executive Directors, namely, Mr. Chan Fong Kong Francis, Mr. Chen Zhenguo and Mr. Li Yu.