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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)

**UPDATES ON DISCLOSEABLE TRANSACTION –
FINANCE LEASE AGREEMENTS AND
CONSULTANCY AGREEMENTS**

References are made to the announcements of China Best Group Holding Limited (the “**Company**”) dated 11 September 2015, 22 March 2016 and 22 March 2018 (the “**Prior Announcements**”). Capitalised terms used but not otherwise defined herein shall have the same meanings as that ascribed to them in the Prior Announcements.

BACKGROUND

As set out in the Prior Announcements, Rongjinda Finance, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreements and Consultancy Agreements with three respective Independent Third Parties as follows:

* *For identification purpose only*

1. Rongjinda Finance entered into Finance Lease Agreement 1 dated 6 July 2015 (as amended on 22 March 2016 and 22 March 2018) (the “**Amended Finance Lease Agreement 1**”) with Shenzhen Century, pursuant to which Rongjinda Finance purchased Machinery and Equipment 1 from Shenzhen Century at a total consideration of RMB7,000,000 (equivalent to approximately HK\$8,400,000), which were leased back to Shenzhen Century for a term of three years. Rongjinda Finance entered into Consultancy Agreement 1 dated 6 July 2015 (as amended on 22 March 2016 and 22 March 2018) (the “**Amended Consultancy Agreement 1**”) with Shenzhen Century, pursuant to which Shenzhen Century agreed to engage Rongjinda Finance to provide finance consultancy services, for the aggregate service fees (after tax) of RMB3,566,000 (equivalent to approximately HK\$4,279,000) for a term of three years.
2. Rongjinda Finance entered into Finance Lease Agreement 2 dated 7 July 2015 (as amended on 22 March 2016 and 22 March 2018) (the “**Amended Finance Lease Agreement 2**”) with Shenzhen Yuexin, pursuant to which Rongjinda Finance purchased Machinery and Equipment 2 from Shenzhen Yuexin at a total consideration of RMB53,000,000 (equivalent to approximately HK\$63,600,000), which were leased back to Shenzhen Yuexin for a term of three years. Rongjinda Finance entered into Consultancy Agreement 2 dated 7 July 2015 (as amended on 22 March 2016 and 22 March 2018) (the “**Amended Consultancy Agreement 2**”) with Shenzhen Yuexin, pursuant to which Shenzhen Yuexin agreed to engage Rongjinda Finance to provide finance consultancy services, for the aggregate service fees (after tax) of RMB27,000,000 (equivalent to approximately HK\$32,400,000) for a term of three years.
3. Rongjinda Finance entered into Finance Lease Agreement 3 dated 10 July 2015 (as amended on 22 March 2016 and 22 March 2018) (the “**Amended Finance Lease Agreement 3**”) with Heyuan Dongjiangyuan, pursuant to which Rongjinda Finance purchased Machinery and Equipment 3 from Heyuan Dongjiangyuan at a total consideration of RMB60,000,000 (equivalent to approximately HK\$72,000,000), which were leased back to Heyuan Dongjiangyuan for a term of three years. Rongjinda Finance entered into Consultancy Agreement 3 dated 7 July 2015 (as amended on 22 March 2016 and 22 March 2018) (the “**Amended Consultancy Agreement 3**”) with Heyuan Dongjiangyuan, pursuant to which Heyuan Dongjiangyuan agreed to engage Rongjinda Finance to provide finance consultancy services, for the aggregate service fees (after tax) of RMB30,566,000 (equivalent to approximately HK\$36,679,000) for a term of three years.

As set out in the Prior Announcements, Shenzhen Century, Shenzhen Yuexin and Heyuan Dongjiangyuan are Independent Third Parties ultimately owned by the same shareholders, who are also Independent Third Parties.

UPDATES ON THE STATUS OF THE TRANSACTIONS

(1) Shenzhen Century Agreement

On 1 March 2019, with respect to the transactions with Shenzhen Century, Rongjinda Finance entered into a supplemental agreement with Shenzhen Century (the “**Shenzhen Century Agreement**”).

Pursuant to the terms of the Shenzhen Century Agreement:

- (a) Shenzhen Century shall repay within one business day of the date of the Shenzhen Century Agreement all the outstanding principal lease cost amounting to RMB7,000,000 (equivalent to approximately HK\$8,400,000) and interest amounting to approximately RMB203,000 (equivalent to approximately HK\$244,000) which were accrued for the period from the maturity date under the Amended Finance Lease Agreement 1 to 28 February 2019;
- (b) Shenzhen Century shall repay within one business day of the date of the Shenzhen Century Agreement all the outstanding service fees amounting to approximately RMB608,000 (equivalent to approximately HK\$730,000) which were accrued for the period from the expiry date under the Amended Consultancy Agreement 1 to 28 February 2019; and
- (c) Rongjinda Finance shall release Shenzhen Century from the default liabilities under the Amended Finance Lease Agreement 1 upon receipt of the amounts mentioned above.

(2) Shenzhen Yuexin Supplemental Agreements

On 1 March 2019, with respect to the transactions with Shenzhen Yuexin, Rongjinda Finance entered into:

- (a) a third supplemental agreement to the finance lease agreement with Shenzhen Yuexin (the “**Shenzhen Yuexin Finance Lease Third Supplemental Agreement**”), pursuant to which:
 - (i) the term of the finance lease arrangements between Rongjinda Finance and Shenzhen Yuexin under the Amended Finance Lease Agreement 2 is further extended to 30 June 2019; and
 - (ii) the outstanding lease payment payable by Shenzhen Yuexin to Rongjinda Finance shall be approximately RMB55,248,000 (equivalent to approximately HK\$66,298,000), being the principal lease cost of RMB53,000,000 (equivalent to approximately HK\$63,600,000) plus the accrued interest of approximately RMB2,248,000 (equivalent to approximately HK\$2,698,000), payable by 5 instalments from 1 March 2019, and, in the case of delayed payment, an additional interest of RMB450,000 (equivalent to approximately HK\$540,000) shall be payable; and
- (b) a third supplemental agreement to the consultancy agreement with Shenzhen Yuexin (the “**Shenzhen Yuexin Consultancy Third Supplemental Agreement**”, together with the Shenzhen Yuexin Finance Lease Third Supplemental Agreement, the “**Shenzhen Yuexin Supplemental Agreements**”), pursuant to which:
 - (i) the term of the finance consultancy services provided by Rongjinda Finance to Shenzhen Yuexin is further extended to 30 June 2019; and
 - (ii) the accrued service fees payable by Shenzhen Yuexin for the provision of the finance consultancy services by Rongjinda Finance shall be approximately RMB7,195,000 (equivalent to approximately HK\$8,634,000) (or, in the case of delayed payment, and additional fee of RMB900,000 (equivalent to approximately HK\$1,080,000) shall be payable), payable by 5 instalments from 1 March 2019.

Save as disclosed above, the other key terms of the Amended Finance Lease Agreement 2 and the Amended Consultancy Agreement 2 as set out in the Prior Announcements remain unchanged.

Shenzhen Zishengfa and Mr. Li shall also continue to act as guarantors in favour of Rongjinda Finance to secure the obligations of Shenzhen Yuexin under the Shenzhen Yuexin Supplemental Agreements.

(3) Heyuan Dongjiangyuan Debt Settlement Agreement and Beijing Kaiyitong Loan Agreement

On 1 March 2019, with respect to the transactions with Heyuan Dongjiangyuan, Rongjinda Finance entered into a debt settlement agreement (the “**Heyuan Dongjiangyuan Debt Settlement Agreement**”) with Heyuan Dongjiangyuan and Beijing Kaiyitong Enterprise Management Limited Company* (北京凱意通企業管理有限公司) (“**Beijing Kaiyitong**”) pursuant to which:

- (a) Heyuan Dongjiangyuan shall repay within one business day of the date of the Heyuan Dongjiangyuan Debt Settlement Agreement an amount equal to approximately RMB6,979,000 (equivalent to approximately HK\$8,375,000) (the “**Repayment Amount**”) comprising the outstanding principal lease cost of RMB5,000,000 (equivalent to approximately HK\$6,000,000), the outstanding interest of approximately RMB495,000 (equivalent to approximately HK\$594,000) and the outstanding service fees of approximately RMB1,484,000 (equivalent to approximately HK\$1,781,000). After the payment of the aforesaid amounts, Heyuan Dongjiangyuan owes Rongjinda Finance an aggregate balance of approximately RMB76,764,000 (equivalent to approximately HK\$92,117,000) (the “**Balance**”) under the Amended Finance Lease Agreement 3 and the Amended Consultancy Agreement 3, comprising the remaining outstanding principal lease cost of RMB55,000,000 (equivalent to approximately HK\$66,000,000), the remaining outstanding interest of approximately RMB5,441,000 (equivalent to approximately HK\$6,529,000) including that accrued for the period from the maturity date under the Amended Finance Lease Agreement 3 to 28 February 2019 and the remaining outstanding service fees of approximately RMB16,323,000 (equivalent to approximately HK\$19,588,000) including that accrued for the period from the expiry date under the Amended Consultancy Agreement 3 to 28 February 2019; and

- (b) upon receipt of the Repayment Amount by Rongjinda Finance, the obligations of Heyuan Dongjiangyuan to repay the Balance shall be assumed by Beijing Kaiyitong and Rongjinda Finance shall release Heyuan Dongjiangyuan from the default liabilities under the Amended Finance Lease Agreement 3 and the Amended Consultancy Agreement 3.

In connection with the Heyuan Dongjiangyuan Debt Settlement Agreement, on 1 March 2019, Rongjinda Finance as lender entered into a loan agreement with Beijing Kaiyitong as borrower (the “**Beijing Kaiyitong Loan Agreement**”) pursuant to which the following principal terms were agreed:

1. Rongjinda Finance shall waive the interest payable by Beijing Kaiyitong in the amount of approximately RMB441,000 (equivalent to approximately HK\$529,000) and the service fees payable by Beijing Kaiyitong in the amount of approximately RMB16,323,000 (equivalent to approximately HK\$19,588,000) the payment obligations of which were assumed by Beijing Kaiyitong under the Heyuan Dongjiangyuan Debt Settlement Agreement;
2. after deducting the amounts waived by Rongjinda Finance above, Beijing Kaiyitong shall repay the aggregate debt amount of RMB60,000,000 (equivalent to HK\$72,000,000) (the “**New Principal Amount**”) by 1 March 2021; and
3. Beijing Kaiyitong shall pay to Rongjinda Finance fees at a rate of 10% per annum of the New Principal Amount every six months.

INFORMATION ON BEIJING KAIYITONG

Beijing Kaiyitong is a limited liability company established in the PRC and is principally engaged in the business of corporate management and investment management.

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, Beijing Kaiyitong and its ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS

The terms of the Shenzhen Century Agreement, the Shenzhen Yuexin Supplemental Agreements, the Heyuan Dongjiangyuan Debt Settlement Agreement and the Beijing Kaiyitong Loan Agreement (collectively, the “**Transaction Agreements**”) were determined after arm’s length negotiations between Rongjinda Finance and the respective parties.

With respect to the transactions with Shenzhen Century, taking into consideration, among others, the current financial conditions of Shenzhen Century, the business relationships with it in the past three years and the prevailing market conditions, the Group has reached agreement with Shenzhen Century that the term of the relevant Finance Lease Agreement and the Consultancy Agreement will not be further renewed and that Shenzhen Century shall repay all the outstanding principal lease cost and interest and service fees to the Group.

With respect to the transactions with Shenzhen Yuexin, the Directors consider that the entering into of the Shenzhen Yuexin Supplemental Agreements is in the ordinary and usual course of business of Rongjinda Finance that will generate additional revenue and profit to the Group over the extended lease period. In considering the extension application by Shenzhen Yuexin, the Directors have evaluated the business relationship with Shenzhen Yuexin in the past three years, the recent financial position of Shenzhen Yuexin and its capital needs for its existing business projects in the PRC.

With respect to the transactions with Heyuan Dongjiangyuan, taking into consideration the current financial conditions of Heyuan Dongjiangyuan, the creditworthiness of Beijing Kaiyitong as new borrower as assessed by the Group, and the fact that the Group will be able to generate income during the term of the Beijing Kaiyitong Loan Agreement, the Directors consider that the terms of the debt restructuring proposal contemplated under the Heyuan Dongjiangyuan Debt Settlement Agreement and the Beijing Kaiyitong Loan Agreement are justifiable. Given additional interests and service fees will be generated from the Transaction Agreements, the Directors consider that the waiver of the interest and the service fees payable by Beijing Kaiyitong under the debt restructuring will not have material adverse impact on the Group’s financial position.

The Directors consider that the entering into of the Transaction Agreements is in the ordinary and usual course of business of Rongjinda Finance.

Since the Transaction Agreements were entered into under normal commercial terms, the Directors are of the view that the terms of these agreements are fair and reasonable and are in the interest of the Company and Shareholders as a whole.

The transactions contemplated under the Transaction Agreements, when aggregated, continue to constitute a discloseable transaction for the Company.

For the purpose of this announcement, the exchange rates at RMB1.00 = HK\$1.20 has been used, where applicable, for the purpose of illustration only.

By Order of the Board
China Best Group Holding Limited
Mr. Liu Wei

Executive Director and Chief Executive Officer

Hong Kong, 1 March 2019

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, one non-executive Director, namely, Ms. Wang Yingqian, and three independent non-executive Directors, namely, Mr. Liu Haiping, Mr. Liu Tonghui and Mr. Ru Xiang.