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CHIGO

CHIGO HOLDING LIMITED

志高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 449)

DISCLOSEABLE TRANSACTION

FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 11 October 2017, Guangdong Chigo, an indirect wholly-owned subsidiary of the Company, entered into (i) the Equipment Purchase Agreements; and (ii) the Finance Lease Contracts with FE Leasing, pursuant to which FE Leasing has conditionally agreed to purchase the Equipment from Guangdong Chigo at an aggregate consideration of RMB46,082,000 (equivalent to approximately HK\$54,214,000) and lease the Equipment back to Guangdong Chigo for a period of 36 months.

LISTING RULES IMPLICATIONS

As the Previous Finance Lease Arrangements and the Finance Lease Arrangement were made by the Group and FE Leasing within a 12-month period prior to and inclusive of the date of the Finance Lease Arrangement, and were both entered into between the Group and FE Leasing, they would be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratios in respect of the Finance Lease Arrangement is more than 5% but all of the ratios are less than 25%, and further, the highest applicable percentage ratios in respect of the Finance Lease Arrangement, when aggregated with the Previous Finance Lease Arrangements, is more than 5% but all of the ratios are less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that, on 11 October 2017, Guangdong Chigo, an indirect wholly-owned subsidiary of the Company, entered into (i) the Equipment Purchase Agreements; and (ii) the Finance Lease Contracts with FE Leasing, pursuant to which FE Leasing has conditionally agreed to purchase the Equipment from Guangdong Chigo at an aggregate consideration of RMB46,082,000 (equivalent to approximately HK\$54,214,000) and lease the Equipment back to Guangdong Chigo for a period of 36 months.

2. FINANCE LEASE ARRANGEMENT

The principal terms of the Equipment Purchase Agreements and the Finance Lease Contracts are set out as follows:

Date

11 October 2017

Parties

- (a) FE Leasing, as the purchaser under the Equipment Purchase Agreements and as the lessor under the Finance Lease Contracts
- (b) Guangdong Chigo, as the seller under the Equipment Purchase Agreements and as the lessee under the Finance Lease Contracts

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, FE Leasing and its ultimate beneficial owner(s) are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

Subject Matter

Sale of the Equipment to FE Leasing

Pursuant to the Equipment Purchase Agreements, Guangdong Chigo will sell, and FE Leasing will purchase, the Equipment owned by Guangdong Chigo free from any title defects and encumbrances at an aggregate consideration of RMB 46,082,000 (equivalent to approximately HK\$54,214,000) (the "**Purchase Price**"). The Purchase Price was determined after arm's length negotiation between Guangdong Chigo and FE Leasing with reference to the initial purchase price and the carrying value of the Equipment.

The Purchase Price (after deducting the Security Deposits as mentioned in the paragraph headed “Security Deposits” below) shall be paid by FE Leasing to Guangdong Chigo within seven working days upon the fulfilment of certain conditions including, among others, Guangdong Chigo having delivered to FE Leasing an original payment request in respect of the Purchase Price.

Lease back of the Equipment by Guangdong Chigo

Pursuant to the Finance Lease Contracts, the Equipment is then leased back to Guangdong Chigo for a period of 36 months. The Finance Lease Contracts will only become effective upon the satisfaction of certain conditions including, among others, (i) the Corporate Guarantees having been granted; and (ii) Guangdong Chigo having delivered to FE Leasing the board resolutions of Guangdong Chigo approving, inter alia, the signing of the relevant Finance Lease Contracts.

Ownership of the Equipment

During the Lease Period, the ownership of the Equipment shall vest in FE Leasing.

Subject to Guangdong Chigo having duly and fully performed all its obligations under the Finance Lease Contracts, FE Leasing shall transfer the ownership of the Equipment to Guangdong Chigo at an aggregate agreed nominal consideration of RMB2,000 (the “**Nominal Buy-back Consideration**”) upon the expiry of the Lease Period.

Lease Payments

The aggregate lease payments (the “**Lease Payments**”) payable by Guangdong Chigo to FE Leasing under the Finance Lease Contracts shall be RMB49,983,120 (equivalent to approximately HK\$58,804,000) (including tax), comprising the principal sum of RMB46,082,000 (equivalent to approximately HK\$54,214,000) and interest of approximately RMB3,680,000 (equivalent to approximately HK\$4,329,000), and shall be payable in 36 monthly installments by Guangdong Chigo to FE Leasing.

The Lease Payments to be made under the Finance Lease Contracts were determined after arm’s length negotiations between Guangdong Chigo and FE Leasing with reference to the prevailing market rates for finance lease of comparable equipment and machinery. The Lease Payments payable by Guangdong Chigo is expected to be settled by cash out of the Group’s internal resources.

Security Deposits

Pursuant to the Finance Lease Contracts, refundable security deposits (the “**Security Deposits**”) of RMB8,132,000 in aggregate are payable by Guangdong Chigo to FE Leasing and will be deducted from the Purchase Price to be paid by FE Leasing to Guangdong Chigo under the Equipment Purchase Agreements.

FE Leasing is entitled to deduct from the Security Deposits if there is any outstanding payment or penalty resulting from any breach caused by Guangdong Chigo. Within six months prior to the expiry of the Lease Period, FE Leasing has the right to apply the Security Deposits (or any part thereof) for the purpose of offsetting the last installments of the Lease Payments and the Nominal Buy-back Consideration. Any outstanding Security Deposits as at the expiry of the Lease Period will be refunded to Guangdong Chigo on the expiry date of the Lease Period.

Corporate Guarantees

Pursuant to the Finance Lease Contracts, the Company has on 11 October 2017 provided two corporate guarantees (the “**Corporate Guarantees**”) in favour of FE Leasing to secure the obligations of Guangdong Chigo under the Finance Lease Contracts.

3. THE PREVIOUS FINANCE LEASE ARRANGEMENTS

On 1 December 2016, Guangdong Chigo had entered into a finance lease arrangement with FE Leasing, pursuant to which FE Leasing had conditionally agreed to purchase certain equipment from Guangdong Chigo at an aggregate consideration of RMB64,050,000 (equivalent to approximately HK\$75,353,000) and lease such equipment back to Guangdong Chigo for lease payments of RMB69,475,860 (equivalent to approximately HK\$81,736,000) in aggregate for a period of 36 months (the “**December 2016 Finance Lease Arrangement**”). For details of the December 2016 Finance Lease Arrangement, please refer to the announcement of the Company dated 1 December 2016.

On 28 February 2017, Guangdong Chigo had entered into a finance lease arrangement with FE Leasing, pursuant to which FE Leasing had conditionally agreed to purchase certain equipment from Guangdong Chigo at an aggregate consideration of RMB27,965,000 (equivalent to approximately HK\$32,900,000) and lease such equipment back to Guangdong Chigo for lease payments of RMB30,082,160 (equivalent to approximately HK\$35,391,000) in aggregate for a period of 36 months (the “**February 2017 Finance Lease Arrangement**”). For details of the February 2017 Finance Lease Arrangement, please refer to the announcement of the Company dated 28 February 2017.

On 22 June 2017, Guangdong Chigo had entered into a finance lease arrangement with FE Leasing, pursuant to which FE Leasing had conditionally agreed to purchase certain equipment from Guangdong Chigo at an aggregate consideration of RMB26,714,000 (equivalent to approximately HK\$31,428,000) and lease such equipment back to Guangdong Chigo for lease

payments of RMB28,876,000 (equivalent to approximately HK\$33,972,000) in aggregate for a period of 36 months (the “**June 2017 Finance Lease Arrangement**”). As all of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the June 2017 Finance Lease Arrangement were less than 5%, the June 2017 Finance Lease Arrangement was exempt from the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

4. INFORMATION OF GUANGDONG CHIGO AND FE LEASING

Guangdong Chigo is a company established in the PRC with limited liability and is principally engaged in the manufacture and sales of air-conditioners. Guangdong Chigo is an indirect wholly-owned subsidiary of the Company.

Insofar as the Company is aware, FE Leasing is a company established in the PRC with limited liability and is principally engaged in the finance lease and other leasing business.

5. REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Company is an investment holding company and the Group is principally engaged in the design, development, manufacturing and sale of air-conditioning products.

The Directors consider that the Finance Lease Arrangement would enhance the working capital position of and provide medium term financing alternate to short-term loans for the Group, without material impact on the actual production and operation of Guangdong Chigo. Further, the terms of the Finance Lease Arrangement have been agreed after arm’s length negotiations between the relevant parties with reference to the initial purchase price and the carrying value of the Equipment as well as the prevailing market rates for finance lease of comparable equipment and machinery.

In light of the above, the Directors consider that the terms of the Finance Lease Contracts are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. LISTING RULES IMPLICATIONS

As the Previous Finance Lease Arrangements and the Finance Lease Arrangement were made by the Group and FE Leasing within a 12-month period prior to and inclusive of the date of the Finance Lease Arrangement, and were both entered into between the Group and FE Leasing, they would be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratios in respect of the Finance Lease Arrangement is more than 5% but all of the ratios are less than 25%, and further, the highest applicable percentage ratios in respect of the Finance Lease Arrangement, when aggregated with the Previous Finance

Lease Arrangements, is more than 5% but all of the ratios are less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under the Listing Rules.

7. DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Chigo Holding Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange
“Corporate Guarantees”	has the meaning ascribed to it in the section headed “2. Finance Lease Arrangement – Corporate Guarantees” in this announcement
“Director(s)”	the director(s) of the Company
“Equipment”	certain machinery and equipment located in Foshan, Guangdong, PRC in connection with the manufacture of air-conditioners by Guangdong Chigo
“Equipment Purchase Agreements”	two equipment purchase agreements dated 11 October 2017 entered into between FE Leasing and Guangdong Chigo in relation to the purchase of the Equipment by FE Leasing from Guangdong Chigo
“FE Leasing”	International Far Eastern Leasing Co., Ltd.
“Finance Lease Arrangement”	the finance lease arrangement as contemplated under the Equipment Purchase Agreements and the Finance Lease Contracts
“Finance Lease Contracts”	two finance lease contracts dated 11 October 2017 entered into between FE Leasing and Guangdong Chigo in relation to the lease of the Equipment by Guangdong Chigo from FE Leasing
“Group”	the Company and its subsidiaries

“Guangdong Chigo”	廣東志高空調有限公司 (Guangdong Chigo Air-conditioning Co., Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Lease Payments”	has the meaning ascribed to it in the section headed “2. Finance Lease Arrangement – Lease Payments” in this announcement
“Lease Period”	a period of 36 months commencing on the payment date of the Purchase Price as stipulated under the Equipment Purchase Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nominal Buy-back Consideration”	has the meaning ascribed to it in the section headed “2. Finance Lease Arrangement – Subject Matter – Ownership of the Equipment” in this announcement
“PRC”	The People’s Republic of China
“Previous Finance Lease Arrangements”	has the meaning as ascribed to it in the section headed “3. The Previous Finance Lease Arrangements” in this announcement
“Purchase Price”	has the meaning ascribed to it in the section headed “2. Finance Lease Arrangement – Subject Matter – Sale of the Equipment to FE Leasing” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Security Deposits”	has the meaning ascribed to it in the section headed “2. Finance Lease Arrangement – Security Deposits” in this announcement
“Shareholder(s)”	holder(s) of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%”

per cent.

By order of the Board
Chigo Holding Limited
Li Xinghao
Chairman

Hong Kong, 11 October 2017

As at the date of this announcement, the executive Directors are Li Xinghao, Li Xiuhui, Cheng Jian and Huang Guijian, and the independent non-executive Directors are Zhang Xiaoming, Fu Xiaosi and Wang Manping.

** The English translation is provided for identification purpose only*

For the purposes of this announcement, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.850 for the purpose of illustration only.