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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

The Board is pleased to announce that, on 30 September 2016, Chigo Jiujiang, an indirect wholly-owned subsidiary of the Company, entered into (i) the Equipment Purchase Agreement; and (ii) the Finance Lease Contract with FE Leasing, pursuant to which FE Leasing has conditionally agreed to purchase the Equipment from Chigo Jiujiang at an aggregate consideration of RMB56,830,000 (equivalent to approximately HK\$66,081,400) and lease the Equipment back to Chigo Jiujiang for a period of 36 months.

As one of the applicable percentage ratios in respect of the Finance Lease Arrangement 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 30 September 2016, Chigo Jiujiang, an indirect wholly-owned subsidiary of the Company, entered into (i) the Equipment Purchase Agreement; and (ii) the Finance Lease Contract with FE Leasing, pursuant to which FE Leasing has conditionally agreed to purchase the Equipment from Chigo Jiujiang at a consideration of RMB56,830,000 (equivalent to approximately HK\$66,081,400) and lease the Equipment back to Chigo Jiujiang for a period of 36 months.

2. FINANCE LEASE ARRANGEMENT

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

Date

30 September 2016

Parties

- (a) FE Leasing, as the purchaser under the Equipment Purchase Agreement and as the lessor under the Finance Lease Contract
- (b) Chigo Jiujiang, as the seller under the Equipment Purchase Agreement and as the lessee under the Finance Lease Contract

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 Agreement, Chigo Jiujiang will sell, and FE Leasing will purchase, the Equipment owned by Chigo Jiujiang free from any title defects and encumbrances at an aggregate consideration of RMB56,830,000 (equivalent to approximately HK\$66,081,400) (the "**Purchase Price**"). The Purchase Price was determined after arm's length negotiation between Chigo Jiujiang and FE Leasing with reference to the initial purchase price and the carrying value of the Equipment.

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

Lease back of the Equipment by Chigo Jiujiang

Pursuant to the Finance Lease Contract, the Equipment is then leased back to Chigo Jiujiang for a period of 36 months. The Finance Lease Contract 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 and/or the Company approving, inter alia, the grant of the relevant Corporate Guarantee.

Ownership of the Equipment

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

Subject to Chigo Jiujiang having duly and fully performed all its obligations under the Finance Lease Contract, FE Leasing shall transfer the ownership of the Equipment to Chigo Jiujiang at an agreed nominal consideration of RMB1,000 (the “**Nominal Buy-back Consideration**”) upon the expiry of the Lease Period.

Lease Payments

The aggregate lease payments (the “**Lease Payments**”) payable by Chigo Jiujiang to FE Leasing under the Finance Lease Contract shall be RMB61,640,640 (equivalent to approximately HK\$71,675,200) (including tax), comprising the principal sum of RMB56,830,000 (equivalent to approximately HK\$66,081,400) and interest of approximately RMB4,538,300 (equivalent to approximately HK\$5,277,100), and shall be payable in 36 monthly installments by Chigo Jiujiang to FE Leasing.

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

Security Deposit

Pursuant to the Finance Lease Contract, a fundable security deposit (the “**Security Deposit**”) of RMB10,029,000 is payable by Chigo Jiujiang to FE Leasing and will be deducted from the Purchase Price to be paid by FE Leasing to Chigo Jiujiang under the Equipment Purchase Agreement.

FE Leasing is entitled to deduct from the Security Deposit if there is any outstanding payment or penalty resulting from any breach caused by Chigo Jiujiang. Within six months prior to the expiry of the Lease Period, FE Leasing has the right to apply the Security Deposit (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 Deposit as at the expiry of the Lease Period will be refunded to Chigo Jiujiang on the expiry date of the Lease Period.

Corporate Guarantees

Pursuant to the Finance Lease Contract, each of the Company and Guangdong Chigo has on 30 September 2016 provided a corporate guarantee (collectively, the “**Corporate Guarantees**”) in favour of FE Leasing to secure the obligations of Chigo Jiujiang under the Finance Lease Contract.

3. INFORMATION OF CHIGO JIUJIANG AND FE LEASING

Chigo Jiujiang is a company established in the PRC with limited liability and is principally engaged in the manufacture of air-conditioners. Chigo Jiujiang 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.

4. 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 Chigo Jiujiang. 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 Equipment Purchase Agreement and the Finance Lease Contract are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Finance Lease Arrangement 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.

6. 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
“Chigo Jiujiang”	志高空調(九江)有限公司 (Chigo Air-conditioning (Jiu Jiang) Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary 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, and each a “Corporate Guarantee”
“Director(s)”	the director(s) of the Company
“Equipment”	certain machinery and equipment located in Jiujiang Development Zone, Jiangxi, PRC in connection with the manufacture of air-conditioners by Chigo Jiujiang
“Equipment Purchase Agreement”	the equipment purchase agreement dated 30 September 2016 entered into between FE Leasing and Chigo Jiujiang in relation to the purchase of the Equipment by FE Leasing from Chigo Jiujiang
“FE Leasing”	International Far Eastern Leasing Co., Ltd.
“Finance Lease Arrangement”	the finance lease arrangement as contemplated under the Equipment Purchase Agreement and the Finance Lease Contract
“Finance Lease Contract”	the finance lease contract dated 30 September 2016 entered into between FE Leasing and Chigo Jiujiang in relation to the lease of the Equipment by Chigo Jiujiang 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 Agreement
“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
“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 Deposit”	has the meaning ascribed to it in the section headed “2. Finance Lease Arrangement – Security Deposit” 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, 30 September 2016

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 RMB0.860 for the purpose of illustration only.