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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) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1)
RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES
HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(2) CLOSURE OF REGISTER OF MEMBERS**

Financial Adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Placing Agent to the Rights Issue



英皇證券(香港)有限公司
Emperor Securities Limited

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.2 per Rights Share, to raise up to approximately HK\$101.7 million by issuing up to 508,428,313 Rights Shares to the Qualifying Shareholders (assuming no change in the number of Shares in issue on or before the Record Date). The Rights Issue is not underwritten and will not be extended to the Non-Qualifying Shareholder(s) (if any).

The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$96.1 million (assuming no change in the number of Shares in issue on or before the Record Date). Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 June 2021 to Wednesday, 16 June 2021 (both days inclusive) for determining the entitlements to the Rights Issue during which period no transfer of Shares will be registered.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A of the Listing Rules, as the Rights Issue will not increase the issued share capital of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders at a general meeting by way of poll.

The Prospectus Documents or the Prospectus, as appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course.

GENERAL

The Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on or before Thursday, 17 June 2021. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Non-Qualifying Shareholders for their information only.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Conditions of the Rights Issue” in this announcement.

Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.2 per Rights Share, to raise up to approximately HK\$101.7 million by issuing up to 508,428,313 Rights Shares to the Qualifying Shareholders (assuming no change in the number of Shares in issue on or before the Record Date).

The Rights Issue is not underwritten. Further details of the Rights Issue are set out below.

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.2 per Rights Share
Number of Shares in issue as at the date of this announcement	:	1,016,856,626 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 508,428,313 Rights Shares (<i>Note</i>)

Aggregate nominal value of the Rights Shares to be issued	:	up to HK\$50,842,831.3 <i>(Note)</i>
Maximum number of Shares in issue immediately after completion of the Rights Issue	:	up to 1,525,284,939 Shares <i>(Note)</i>
Gross proceeds from the Rights Issue	:	up to approximately HK\$101.7 million before expenses <i>(Note)</i>

Note: Assuming no change in the number of Shares in issue before completion of the Rights Issue.

As at the date of this announcement, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for Shares.

Assuming no change in the number of Shares in issue on or before the Record Date, the aggregate 508,428,313 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 50.0% of the total number of issued Shares as at the date of this announcement and approximately 33.3% of the total number of issued Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed to independent places under the Compensatory Arrangements on a best efforts basis. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

The Subscription Price

The Subscription Price of HK\$0.2 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 45.21% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 46.95% to the average closing price of approximately HK\$0.377 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 46.09% to the average closing price of approximately HK\$0.371 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 37.89% to the theoretical ex-rights price of approximately HK\$0.322 per Share based on the benchmarked price of approximately HK\$0.383 per Share;
- (v) a discount of approximately 81.48% to the net asset value of the Company of approximately HK\$1.08 per Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$1,097,964,000 as at 31 December 2020; and

(vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 15.93%, represented by the theoretical diluted price of approximately HK\$0.322 per Share to the benchmarked price of approximately HK\$0.383 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.365 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Placing Agreement of approximately HK\$0.383 per Share).

The Board has noted the relatively large discount mentioned in (v) above. Nevertheless, given the preemptive nature of the Rights Issue and taking into account of the fact that the Shares were traded at a discount to the net asset value per Share for the six months preceding the Last Trading Day ranging from approximately 53.8% to 68.1%, with an average of approximately 63.3%, the Board is of the view that the net asset value per Share may not be a meaningful reference to determine the Subscription Price.

The Subscription Price was determined with reference to, among others, (i) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (ii) the low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 682,000 Shares, representing approximately 0.067% of the total number of issued Shares as at the Last Trading Day, (iii) net losses as recorded by the Company for the six months ended 30 June 2020 and for the 12 months ended 31 December 2020; and (iv) the reasons and benefits of Rights Issue as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS”, in this announcement.

As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Board considers that the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group. The Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar at Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4: 30 p.m. (Hong Kong time) on Tuesday, 8 June 2021.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 4 June 2021, and the Shares will be dealt with on an ex-rights basis from Monday, 7 June 2021.

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

Closure of register of members

The register of members of the Company will be closed from Wednesday, 9 June 2021 to Wednesday, 16 June 2021 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares held by a Qualifying Shareholder as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 13.36(2)(a) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. Accordingly, on 11 May 2021, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best efforts basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best efforts basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best efforts basis, procure, by not later than 4: 00 p.m. on Monday, 12 July 2021, placees for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Non-Qualifying Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) and Non-Qualifying Shareholder(s) in Hong Kong dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Placing Agreement for the Unsubscribed Rights Shares and NQS Unsold Rights Shares

Details of the Placing Agreement are summarised as follows:

- Date : 11 May 2021
- Issuer : The Company
- Placing Agent : Emperor Securities Limited was appointed as the Placing Agent to procure, on a best efforts basis, places to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.

The Placing Agent is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties

- Placing Period : The period commencing from the second Business Day after the Latest Time for Acceptance and ending at 4:00 p.m. on the sixth Business Day after the Latest Time for Acceptance.
- Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 1.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- Placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).
- For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.
- Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

Conditions of the
Placing Agreement

: The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:

- (i) the Company's warranties contained in the Placing Agreement remain true and accurate and not misleading in all material respects at all time prior to the date of completion of the Rights Issue; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares with or without conditions.

In the event that the above condition precedents have not been fulfilled on or before the Latest Time for Termination (or such later date as may be agreed between the parties thereto in writing), all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof prior to such termination).

Termination

: Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or

- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (e) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the completion of the Rights Issue which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (f) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Directors consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

As explained above, the Rights Shares that are not accepted by the Qualifying Shareholders, together with the Rights Shares that the Non-Qualifying Shareholders are entitled to under the Rights Issue, will be placed by the Placing Agent to Independent Third Parties on a best efforts basis for the benefits of the No Action Shareholders and Non-Qualifying Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any Net Gain will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders. Any NQS Unsold Rights Shares and/or Unsubscribed Rights Shares that are not placed by the Placing Agent will not be issued by the Company. As at the date of this announcement, the Placing Agent has not identified any Placee(s). In any case, any Placees shall be independent among themselves and should be independent of and not acting at the direction of or having any significant relationships with any connected person of the Company or (i) the counterparties to Previous Transactions; (ii) the counterparties to Possible Acquisition; or (iii) the respective directors, legal representative and/or ultimate beneficial owners of the counterparties to Previous Transactions and/or Possible Acquisition.

The Directors considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and Non-Qualifying Shareholders.

In particular, excess application is considered as a passive arrangement to facilitate additional participation of the Qualifying Shareholders. Taking into account the low liquidity of the Shares before the Last Trading Day, the Directors consider it would be more desirable for the Company to adopt a more active measure by way of the Compensatory Arrangements to mitigate the uncertainty of the fund raising exercise.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 14 July 2021 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted on or before Wednesday, 14 July 2021, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 6,000 Rights Shares.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents, each duly certified by the Directors (or by their agents duly authorised in writing) on or before Prospectus Posting Date in compliance with the Companies (WUMP) Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (WUMP) Ordinance and the Listing Rules;
- (ii) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only; and
- (iii) the Listing Committee of the Stock Exchange agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the conditions referred to above are not fulfilled at or before the Latest Time for Termination, the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed. Shareholders and public investors are advised to exercise caution in dealing in the securities of the Company.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Conditions of the Rights Issue” in this announcement.

Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of goods, (ii) the finance leasing business, (iii) the money lending business, (iv) the securities and futures brokerage business, (v) international air and sea freight forwarding and the provision of logistics services, (vi) trading of securities, (vii) property investment, (viii) the property brokerage business, (ix) the building architecture and interior design business, (x) the property development and project management business, (xi) the geothermal energy business, (xii) the building construction contracting business, and (xiii) centralised heating business.

The Board had considered fund raising by debt financing, however it would come along with, where materialise, additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations which is less beneficial to the Group. In view of this, the Board has averted debt financing as a source for raising funds in this occasion.

As for equity fund raising, such as placing of new Shares, it would be relatively small scale as compared to rights issue and it would not allow the Qualifying Shareholders to participate in the fund raising exercise, in return, their respective shareholdings in the Company would be diluted without equal opportunity to maintain their proportionate interests in the Company.

Contrarily, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). The Board considers that the Rights Issue effected on a pro rata basis gives all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company, whereas open offer does not provide Shareholders with the flexibility to increase their shareholding interests in the Company by acquiring additional rights entitlements in the open market or reduce their shareholding interests in the Company by disposing their rights entitlements in the open market. As such, the Board did not pursue an open offer which is considered to be less favourable to the Shareholders.

The Board considers it is prudent to obtain the resources to facilitate the long-term growth of the Group preferably in the form of equity fund raising which will not increase the Group's financing costs. In addition, the Board believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position for future strategic investments as and when such opportunities arise.

The estimated net proceeds of the Rights Issue will be up to approximately HK\$96.1 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date). The Company intends to utilise the entire net proceeds from the Rights Issue in the following aspects: (i) approximately 80% or more of the net proceeds for operation of existing businesses, mainly in property related business and centralized heating business, with improvement on financial and operational performance, that included but not limited to the possible acquisition pursuant to announcement of the Company dated 3 May 2021 and the full/partial settlement of unpaid investment sum to Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司) according to the disclosure in the Second Interim Report 2020 of the Company; and (ii) remaining net proceeds for general working capital of the Group.

The Directors consider that it is appropriate to propose the Rights Issue as a means of fund raising for the Group's future expansion. The Directors also consider that the terms of the Rights Issue, including the Subscription Price and the rate of the placing commission, are fair and reasonable based on current market conditions. Accordingly, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming that there is no change in the number of Shares in issue on or before the Record Date, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; and (iii) immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent) is as follows:

	As at the date of this announcement		Assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full		Assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent	
	<i>No. of Shares</i>	<i>Approx. % (Note 1)</i>	<i>No. of Shares</i>	<i>Approx. % (Note 1)</i>	<i>No. of Shares</i>	<i>Approx. % (Note 1)</i>
Substantial Shareholder						
Sunbow Int'l Enterprise Limited ("Sunbow") (Note 2)	162,864,000	16.02%	244,296,000	16.02%	162,864,000	10.68%
Director						
Mr. Qin Jie	2,000,000	0.20%	3,000,000	0.20%	2,000,000	0.13%
Public Shareholders						
Independent places	–	–	–	–	508,428,313	33.33%
Other public Shareholders	851,992,626	83.78%	1,277,988,939	83.78%	851,992,626	55.86%
Total	<u>1,016,856,626</u>	<u>100%</u>	<u>1,525,284,939</u>	<u>100%</u>	<u>1,525,284,939</u>	<u>100%</u>

Notes:

- The percentage is calculated on the basis of 1,016,856,626 Shares of the Company in issue as at the date of this announcement.
- 162,864,000 Shares are held by Sunbow. As Mr. Wang Baoning has 100% shareholding in Sunbow, by virtue of the SFO, he is deemed to be interested in all the shares beneficially held by Sunbow.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE

Events	Date (2021)
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue	Friday, 4 June
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue	Monday, 7 June
Last time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 8 June
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)	Wednesday, 9 June to Wednesday, 16 June
Record Date for the Rights Issue	Wednesday, 16 June
Prospectus Documents expected to be despatched	Thursday, 17 June
First day of dealings in nil-paid Rights Shares	Monday, 21 June
Latest time for splitting of PALs	4:30 p.m. on Wednesday, 23 June
Last day of dealings in nil-paid Rights Shares	Monday, 28 June
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Friday, 2 July
Announcement of the number of Unsubscribed Rights Share and NQS Unsold Rights Shares subject to Compensatory Arrangements	Monday, 5 July

Events**Date (2021)**

Commencement of placing of Unsubscribed Rights Share and NQS Unsold Rights Shares by the Placing Agent	Tuesday, 6 July
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent	4:00 p.m. on Monday, 12 July
Latest time for termination of the Placing Agreement for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 13 July
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and the Net Gain per Unsubscribed Rights Share and NQS Unsold Rights Share under the Compensatory Arrangements)	Tuesday, 13 July
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any)	Wednesday, 14 July
Commencement of dealings in fully-paid Rights Shares	Thursday, 15 July
Payment of Net Gain to relevant No Action Shareholders and Non-Qualifying Shareholders (if any)	Thursday, 29 July

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);

2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. An announcement will be made by the Company in such event.

LISTING RULES IMPLICATIONS

As the Company has not conducted any rights issues or open offer within the 12 month period immediately preceding this announcement, and the proposed Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not conditional upon approval by the Shareholders.

GENERAL

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9: 00 a.m. and 12: 00 noon and is not cancelled at or before 12: 00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 370)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this announcement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Last Trading Day”	11 May 2021, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 2 July 2021, being the latest time for acceptance of, and payment for, the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 13 July, being the latest time to terminate the Placing Agreement
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements after deduction of all reasonable expenses incurred by the Company and the Placing Agent
“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s) or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed

“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date with registered address(es) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Emperor Securities Limited, a licensed corporation carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 11 May 2021 entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Period”	the period commencing from the second Business Day after the Latest Time for Acceptance and ending on 4: 00 p.m. on the sixth Business day after the Latest Time for Acceptance

“Possible Acquisition”	the possible acquisition pursuant to the announcement of the Company dated 3 May 2021
“PRC”	the People’s Republic of China
“Previous Transactions”	the acquisition or subscription (as the case may be) of entire or partial equity interests of (i) Noble Realm Limited as disclosed in the announcement of the Company dated 31 December 2018; (ii) Shanghai Xuanmei Property Agency Company Limited* (上海軒美房地產經紀有限公司) and Shanghai Tuxuan Construction Design Company Limited* (上海圖炫建築設計有限公司) as disclosed in the Annual Report 2019 of the Company; (iii) Total Fame Holdings Limited as disclosed in the announcement of the Company dated 18 December 2019; (iv) Jiangsu Meili Kongjian Construction Design Development Co., Ltd* (江蘇美麗空間建築設計產業發展有限公司) as disclosed in the announcement of the Company dated 14 January 2020; (v) Beijing Yuehai Enterprise Management Co., Ltd.* (北京岳海企業管理有限公司) as disclosed in the announcement of the Company dated 18 February 2020; (vi) Yuncheng City Wandefu Hot Power Co., Ltd.* (運城市萬得福熱力有限公司) as disclosed in the announcement of the Company dated 8 September 2020; and (vii) Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司) as disclosed in the Second Interim Report 2020 of the Company
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Thursday, 17 June 2021 or such other date as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date

“Record Date”	Wednesday, 16 June 2021 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	up to 508,428,313 Shares to be allotted and issued pursuant to the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) with a par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.2 per Rights Share under the Rights Issue
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

