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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)

DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF 42% OF THE ISSUED SHARES OF
THE TARGET COMPANY

Financial adviser of the Company



英皇融資有限公司
Emperor Capital Limited

DISCLOSEABLE TRANSACTION

On 10 August 2021, the Purchaser, the Vendor and the Guarantor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 42% of the issued shares of the Target Company at an aggregate consideration of HK\$90 million.

Upon completion of the Transaction, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated in the results of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the Transaction is 5% or more and all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

INTRODUCTION

Reference is made to the announcement of the Company dated 3 May 2021 in respect of the memorandum of understanding entered into between the Company and the Vendor, pursuant to which the Company agreed to enter into further negotiation with the Vendor regarding a possible conditional acquisition of entire or part of the equity interest held by the Vendor in the Target Company.

On 10 August 2021, the Purchaser, the Vendor and the Guarantor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 42% of the issued shares of the Target Company at an aggregate consideration of HK\$90 million.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

10 August 2021

Parties

- (i) the Purchaser;
- (ii) the Vendor; and
- (iii) the Guarantor.

As at the date of the Agreement, the Vendor is the holder of 75% of the issued shares of the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor and the Guarantor, who wholly owns the Vendor, are Independent Third Parties.

Subject assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 42% of the issued shares of the Target Company at an aggregate consideration of HK\$90 million.

Consideration

The consideration payable for the sale and purchase of the Sale Shares shall be HK\$90 million which shall be settled in cash in the following manner:

- (i) HK\$60 million will be payable by the Purchaser or its designated party to the Vendor or its designated party within five (5) Business Days after the Completion Date (the “**First Payment**”); and
- (ii) the remaining balance of the Consideration, being HK\$30 million, will be payable by the Purchaser or its designated party to the Vendor or its designated party within one hundred and eighty (180) Business Days after the Completion Date (the “**Final Payment**”).

The Consideration was determined between the Purchaser and the Vendor after arm’s length negotiations with reference to, among other things, (i) the financial performance of the Target Group; (ii) the carrying value of 25% of the Target Company held by the Group as at 31 March 2021; (iii) the estimated value of 100% equity interest in the Target Group as at 30 June 2021 of approximately HK\$224 million, based on the valuation report prepared under market-based approach by an independent valuer; and (iv) the reasons for and benefits of the Transaction as detailed in the section headed “Reasons for and benefits of the Transaction” of this announcement.

The Consideration will be funded as follows:

- (i) the First Payment will be settled by utilizing the net proceeds of the Company’s rights issue (the “**Rights Issue**”) completed on 14 July 2021; and
- (ii) the Final Payment will be settled by the Group’s internal resources as at the payment date.

Guarantee

Pursuant to the Agreement, the Guarantor unconditionally and irrevocably guarantees to the Purchaser the Vendor’s compliance with the Vendor’s obligations in connection with the Agreement.

Conditions Precedent of the Transaction

Completion is subject to the following Conditions Precedent being fulfilled or waived (as the case may be) on or before the Long Stop Date:

- (a) the Purchaser (including its nominee(s) and advisors) having been satisfied with the results of the legal and financial due diligence of members of the Target Group or other necessary due diligence as determined by the Purchaser;
- (b) the Purchaser having obtained all necessary approval and consent for the Transaction, including but not limited to (i) the approval of the board of directors and/or the shareholders of the Purchaser (if applicable) and the Board's approval; and (ii) relevant contract party's consents to carry out the Transaction under relevant agreements to which the Purchaser is a party;
- (c) each representation and warranty set out in the Agreement given by the Vendor remaining true, accurate and not misleading in any respect;
- (d) the Vendor having complied with and performed all of its obligations required to be complied with and performed prior to the Completion Date pursuant to the Agreement;
- (e) no laws, rules, regulations or actions from any governmental institution restricting, prohibiting or delaying the Transaction;
- (f) no material adverse change or effect having taken place; and
- (g) the Purchaser, the Vendor and the Target Company having terminated the original shareholders' agreement and signed a new shareholders' agreement.

Save for the condition precedent under paragraph (b) above, the Purchaser may at its absolute discretion waive the other Conditions Precedent under the Agreement.

In the event that any of the above Conditions Precedent is not fulfilled or waived on or before the Long Stop Date, the Purchaser by written notice to the Vendor may terminate the Agreement.

Completion of the Transaction and others

Completion shall take place on the Completion Date.

With effect from Completion, the Target Company shall, and the Vendor and the Guarantor shall jointly and irrevocably procure the Target Company to, appoint two (2) persons nominated by the Purchaser as directors of the board of directors of the Target Company, which shall be comprised by three directors.

Upon Completion, the Target Company will become a non-wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Group.

The Purchaser, the Vendor and the Guarantor agreed that the audited retained profit of Beijing Shuwu as at 31 December 2020 in amount of approximately RMB14.37 million will be distributed to the Purchaser and the Vendor, in accordance with their respective shareholdings in the Target Company immediately prior to the Completion, in the ratio of 25% and 75%.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability, which is owned as to 75% by the Vendor and owned as to 25% by the Purchaser as at the date of this announcement. The Target Company's major subsidiary is principally engaged in the provision of financial information, solutions and data analytical services to customers in finance and property related field in the PRC.

Set out below is a summary of the consolidated financial information of the Target Group (excluding its discontinued operations) for the two years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December 2020 (HK\$ '000) (Audited) <i>Approximately</i>	For the year ended 31 December 2019 (HK\$ '000) (Unaudited) <i>Approximately</i>
Net profit before tax	15,883	1,272
Net profit after tax	13,493	1,889

The unaudited consolidated total assets value and net assets value of the Target Group as at 30 June 2021 were approximately HK\$42.64 million and HK\$35.58 million respectively.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) finance leasing business; (ii) money lending business; (iii) securities and futures brokerage business; (iv) trading business; (v) securities investment business; (vi) freight forwarding business; (vii) property investment business; (viii) property brokerage business; (ix) building architecture and interior design business; (x) property development and project management business; (xi) geothermal energy business; (xii) building construction contracting business; and (xiii) centralised heating business.

The Purchaser is a limited liability company established in the British Virgin Islands, which is wholly-owned by the Company and is an investment holding company.

INFORMATION OF THE VENDOR

The Vendor is a limited liability company established in the British Virgin Islands, which is wholly-owned by the Guarantor and is an investment holding company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group intends to continue to develop its financial services business while doing the layout for the Group's real estate-related business segments. In 2019, the Group acquired 25% of the issued share capital of Target Company. After the recent review of its performance, the Directors were satisfied with the financial performance of the Target Group and were optimistic about its future prospects.

In addition, the Target Group has been providing property sales-related data which could be used for the property brokerage business of the Group. The Group is considering to combine the business of the Target Group into one of its existing business segments which could be extended to provide customised technical services to clients in real estate-related business. The Directors are of the view that it is in the best interest for the Group to be involved more directly in the development and operations of the Target Group beyond an investment. The Transaction is aligned with the business strategy to expand its product and service mix.

The Directors consider that the terms and conditions of the Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

CHANGE IN USE OF PROCEEDS FROM THE RIGHTS ISSUE

Reference is made to the prospectus of the Company dated 17 June 2021 in relation to the Right Issue. The net proceeds from the Rights Issue were approximately HK\$96.70 million (the “**Net Proceeds**”). The Board resolved to reallocate intended use of the Net Proceeds in the following aspects: (i) HK\$60 million for the settlement of the First Payment (originally intended use of maximal amount of approximately HK\$34 million); and (ii) approximately HK\$6 million for centralized heating business (originally intended use of amount of approximately HK\$32 million).

Taking into account the reasons and benefits as set out in the section headed “REASONS FOR AND BENEFITS OF THE TRANSACTION” of this announcement, the Board is of the view that the reallocation of the Net Proceeds will not have any material adverse impact on the operations of the Group, but will enable the Group to deploy its financial resources more effectively, and is therefore in the interest of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction is 5% or more and all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 10 August 2021 entered into by and among the Purchaser, the Vendor and the Guarantor in relation to the Transaction
“Beijing Shuwu”	Beijing Shuwu Big Data Research Company Limited* (北京數巫大數據研究有限公司), a company incorporated in PRC and indirectly wholly-owned by the Target Company
“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 public holiday 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 5:00 p.m.
“Company”	China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Transaction in accordance with the Agreement
“Completion Date”	the date of completion which is within five (5) Business Days upon the Conditions Precedent set out in (a) and (b) under the section “Conditions Precedent of the Transaction” in this announcement are fulfilled or waived by the Purchaser (as the case may be), or an extended date permitted by the Purchaser pursuant to the Agreement or such other date as may be agreed by the parties to the Agreement in writing
“Conditions Precedent”	the conditions precedent to completion of the Transaction
“Consideration”	the total consideration of HK\$90 million to be paid by the Purchaser or its designated party pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. He Zhenyu (何振宇)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021 or such other date as the Purchaser may otherwise agree in writing
“PRC”	the People’s Republic of China
“Purchaser”	China Best Financial Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	42 shares of US\$1 each in the capital of the Target Company, representing 42% issued and fully paid up shares of the Target Company
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Treasure Cart Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and owned as to 75% by the Vendor and 25% by the Purchaser as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Transaction”	the transaction in relation to the sale and purchase of the Sale Shares pursuant to the terms and conditions of the Agreement

“Vendor”

Giant Win Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Guarantor as at the date of this announcement

“%”

per cent.

By Order of the Board
China Best Group Holding Limited
Mr. Qin Jie
Executive Director and Chief Executive Officer

Hong Kong, 10 August 2021

As at the date of this announcement, the Board comprises five executive Directors, namely, Ms. Wang Yingqian (Chairman), Mr. Qin Jie (Chief Executive Officer), Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, and three independent non-executive Directors, namely, Mr. Ru Xiangnan, Mr. Liu Haiping and Mr. Liu Tonghui.