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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) DISCLOSEABLE TRANSACTION
IN RELATION TO THE TENANCY AGREEMENT
AND
(2) BUSINESS UPDATE IN RELATION TO
METAVERSE OFFLINE EXPERIENCE PROJECT**

THE TENANCY AGREEMENT

On 23 February 2022 (after trading hours), the Tenant, an indirect wholly owned subsidiary of the Company, entered into the Tenancy Agreement with the Landlord in respect of the Premises for a term of 8 years from 1 March 2022 to 28 February 2030 (both days inclusive).

LISTING RULES IMPLICATIONS

Upon the implementation of HKFRS 16, the entering into of the Tenancy Agreement will require the Group to recognise the tenancy of the Premises as right-of-use asset in the consolidated financial statements of the Company. As such, under the Listing Rules, the entering into of the Tenancy Agreement will be regarded as an acquisition of asset under Chapter 14 of the Listing Rules.

As the highest applicable Percentage Ratio of the transaction contemplated under the Tenancy Agreement, calculated based on the value of the right-of-use of the Premises under the Tenancy Agreement to be recognised by the Company according to HKFRS 16, is higher than 5% but lower than 25%, the transaction contemplated under the Tenancy Agreement constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

BUSINESS UPDATE

The Board is pleased to announce that the Group is planning to build a metaverse offline entertainment scene and further create and develop a metaverse related ecology in the Premises.

INTRODUCTION

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THE TENANCY AGREEMENT

A summary of the principal terms of the Tenancy Agreement is set out below:

- Date : 23 February 2022
- Parties : (i) the Tenant; and
(ii) the Landlord
- Premises : The premises inside Xiedao Resort, which is located at No.1, Xiedao Road, Chaoyang District, Beijing, the PRC
- Premises Area : Approximately 20,000 square meters
- Use of Premises : For the operation of metaverse offline experience project and other related ancillary projects related to the theme of the entire industry chain of the metaverse
- Term : 8 years from 1 March 2022 to 28 February 2030 (both days inclusive)
- Rent : The aggregate rent payable by the Tenant under the Tenancy Agreement will be approximately RMB138.6 million (inclusive of value added tax) and is expected to be financed by internal sources of the Group and/or debt financing when necessary
- Deposit : Pursuant to the terms of the Tenancy Agreement, the deposit is RMB3.62 million and will be offset against the earnest money of the equivalent amount previously paid by the Tenant

The right-of-use asset

The unaudited value of the right-of-use asset recognised by the Company under the Tenancy Agreement amounts to approximately RMB98.4 million, which is calculated with reference to the present value of the total rental payable during the term of the Tenancy Agreement in accordance with HKFRS 16. A discount rate of 6.0% per annum is applied to compute the present value of the total rental payable under the Tenancy Agreement.

INFORMATION ON THE PARTIES

The Company is an investment holding company and its subsidiaries are principally engaged in (i) trading of goods; (ii) finance leasing; (iii) money lending; (iv) securities and futures dealing and related consultancy services; (v) provision of international air and sea freight forwarding and logistic services; (vi) securities trading; (vii) property investment; (viii) building architecture and interior design services and data analytical services; (ix) property agency service; (x) entrusted construction and projects management services; (xi) provision of heating and cooling supply by geothermal energy; (xii) building construction contracting; and (xiii) centralised heating business.

The Tenant is a company incorporated under the laws of the PRC with limited liability and an indirect wholly owned subsidiary of the Company. The Tenant has not yet commenced business since its incorporation in January 2022.

The Landlord is a company incorporated under the laws of the PRC with limited liability. The Landlord is the owner of the Premises and is principally engaged in the rental of commercial premises business, provision of organising and hosting of cultural exchange activities, conference, exhibitions and showcase.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

REASONS AND BENEFITS FOR ENTERING INTO THE TENANCY AGREEMENT

The Premises will be used by the Group for the operations of metaverse offline experience project and other related ancillary projects related to the theme of the entire industry chain of the metaverse. The Directors believe that the entering into of the Tenancy Agreement would enable the Group to commence this promising business. Details of the Group's consideration of this business are set out in the following section headed "BUSINESS UPDATE".

The terms of the Tenancy Agreement are arrived at after arm's length negotiation and the rental is determined with reference to the prevailing market rental of similar property in the nearby locations. The Directors consider that the Tenancy Agreement has been entered into in the ordinary and usual course of business of the Group and believe that the terms of the Tenancy Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

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BUSINESS UPDATE

The Board is pleased to announce that the Group is planning to build a metaverse offline entertainment scene and further create and develop a metaverse related ecology in the Premises.

After the previous high-speed development period, the real estate industry of the PRC has entered a stable development track. The national policies of the PRC strongly support urban renewal and heritage preservation. The Group notices that a large number of old buildings in central cities in the PRC are in urgent need of transformation and renovation, as well as a large number of regional economic needs that urge for the development of new technology industries.

The Ministry of Industry and Information Technology, together with the National Development and Reform Commission, the Ministry of Education, the Ministry of Finance, the Ministry of Human Resources and Social Security, the Ministry of Culture and Tourism, the State-owned Assets Supervision and Administration Commission, the State Administration of Cultural Heritage, etc., a total of eight departments of the PRC government jointly issued the “Implementation Plan for Promoting Industrial Culture Development (2021-2025)”. In order to further promote the “14th Five-Year” period of industrial culture development, the plan proposed including, but not limited to, to create a number of tourism demonstration bases with industrial culture and boutique routes, to promote the industrial and cultural integration and development as well as other key missions.

In addition, the General Office of Beijing Municipal People’s Government also issued the “Beijing Urban Renewal Action Plan (2021-2025)”. The plan intended to further improve the spatial structure and functional layout of the city, to promote industrial transformation and upgrading, and to build an international science and technology innovation centre through the implementation of different urban renewal actions. The ultimate goal of the plan is to promote industrial transformation and upgrading and to build an international science and technology innovation center by way of implementing urban renewal and improving spatial structure and functional layout of the city. At the same time, it also proposes the target tasks for the types of projects to transform and upgrade old buildings and traditional business districts.

Meanwhile, the Group is aware that many municipal governments in the PRC have put forward the requirements of metaverse development. For example, at the Conference on Promoting High-Quality Industrial Development in Beijing’s Urban Vice Center held on 19 January 2022, Beijing Tongzhou District Council issued “Eight Measures on Accelerating the Innovation and Leading Development of Beijing’s Urban Vice Center Metaverse” and other metaverse related policies. A series of industrial ecology supporting development policies shall be implemented including, but not limited to the eight measures on accelerating the innovation-led development of the metaverse in Beijing. In terms of content design, it highlights the integration of metaverse and cultural tourism. In terms of industrial space, it plans the metaverse industrial space layout of “1 innovation center + N special theme parks”. In terms of application scenarios, it aims at digital empowerment and the integration of culture and technology, “creating a new scene of cultural tourism with the integration of reality and digital world” and providing space for enterprises to display and create technology.

The Board considers that by leveraging the Group's experience in the design, construction, operation and sale of properties and the Group's gradual investment, exploration attempts and experience in the big data business in recent years and combining with the promotion of the general direction of national policies as abovementioned, the Group will be able to design, construct and operate the metaverse offline entertainment experience venue as one of the new sources of development and revenue for the Group in the future.

The Group believes that the intergration of virtual and real parts of the metaverse will be an important profit point in the future metaverse industry chain. These include, but not limited to, offline experiences of virtual scenarios, online NFT distribution of IPs formed from offline experiences, metaverse virtual platform building that allows players to create freely, as well as two-way traffic attraction between virtual world and offline experiences during the platform building process and building players' virtual images and identities in the virtual world through offline experiences.

The Group will first realise IP of virtual world into reality and carry out the metaverse offline entertainment experience scene construction in the Premises. The team is now actively negotiating with relevant enterprises, platforms, suppliers and business clients involved in video entertainment IP, immersive VR murder mystery game, immersive performing arts, digital entertainment offline experience, and is also communicating and docking with technical teams including immersive display, real-time interactive experience, block chain, virtual portrait, 3D space and virtual scene construction, etc., in an effort to promote business development and establish an ecological environment of the whole industry chain of metaverse for the Group.

The Company believes that the above plans are promising and will enable the Group to remain competitive in the innovative industry ecosystem of the future, which will result in expanding the Group's revenue stream and maximizing returns for the Shareholders. The Company will make further announcements in relation to the Premises and/or the metaverse offline experience project in due course or in accordance with the requirements of the Listing Rules.

DEFINITION

“Board”	the board of Directors
“Company”	China Best Group Holding Limited, a company incorporated in Bermuda with limited liability and whose issued Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 370)
“connected person(s)”	has the meaning ascribed under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKFRS 16”	HKFRS 16 Leases
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Landlord”	Beijing Xiedao Plantation Breeding Group Co., Ltd.* (北京蟹島種植養殖集團有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio(s)”	the percentage ratio(s) as defined under Rule 14.07 of the Listing Rules applied for determining the classification of notifiable transactions under the Listing Rules
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan

“Premises”	the premises inside Xiedao Resort, which is located at No.1, Xiedao Road, Chaoyang District, Beijing, the PRC
“RMB”	Renminbi, the lawful currency in the PRC
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 23 February 2022 entered into between the Tenant and the Landlord
“Tenant”	Beijing Gongsheng Data Technology Co., Ltd.* (北京共生數據科技有限公司), a company incorporated in the PRC with limited liability, which is an indirect wholly owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 23 February 2022

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. Fan Jie, Mr. Li Haitao and Ms. Tao Lei, and four independent non-executive Directors, namely, Mr. Ru Xiangnan, Mr. Liu Haiping, Mr. Liu Tonghui and Ms. Yin Meiqun.

* *For identification purposes only*