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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  
DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY  
AND THE SALE LOAN**

**THE DISPOSAL**

On 29 March 2022, Ningbo Sixing, Shenzhen Guohua, the Target Company and the Purchaser entered into the Disposal Agreement, pursuant to which Shenzhen Guohua agreed to dispose, and the Purchaser agreed to acquire and assume, the Target Interest and the benefit of the Sale Loan by way of the Purchaser acquiring and assuming all rights and obligations of Shenzhen Guohua under the Equity Transfer Agreement, at the consideration of RMB126 million.

Prior to entering into the Disposal Agreement, on 29 March 2022, Shenzhen Guohua, Ningbo Sixing and the Target Company also entered into the Supplemental Agreement to amend certain terms of the Equity Transfer Agreement.

Upon Completion, the Company will cease to hold any equity interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (within the meaning of the Listing Rules) in relation to the Disposal are 5% or more and all of them are less than 25%, the Disposal 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

Reference is made to the announcement of the Company dated 14 January 2020 in relation to the acquisition of the entire equity interest of the Target Company.

On 29 March 2022, Ningbo Sixing, Shenzhen Guohua, the Target Company and the Purchaser entered into the Disposal Agreement in relation to the Disposal.

## **THE DISPOSAL AGREEMENT**

### **Subject Matter**

Pursuant to the Disposal Agreement, Shenzhen Guohua agreed to dispose, and the Purchaser agreed to acquire and assume, the Target Interest and the benefit of the Sale Loan by way of the Purchaser acquiring and assuming all rights and obligations of Shenzhen Guohua under the Equity Transfer Agreement with effect from the Completion Date. Upon Completion, (i) the Purchaser shall assume all rights and obligations of Shenzhen Guohua under the Equity Transfer Agreement, and (ii) Shenzhen Guohua will no longer be entitled to any rights, and shall be released from its obligations, under the Equity Transfer Agreement.

### **Consideration**

The Consideration for the Disposal is RMB126 million, comprising the consideration for the Target Interest of approximately RMB72.52 million and the consideration for the Sale Loan of approximately RMB53.48 million.

Under the Equity Transfer Agreement, there remains an outstanding amount of RMB31 million payable by Shenzhen Guohua to Ningbo Sixing (the “**Payment Obligation**”), which represents the remaining consideration for the transfer of the 100% equity interest in the Target Company by Ningbo Sixing to Shenzhen Guohua. After taking into account of the Payment Obligation which will be assumed by the Purchaser under the Disposal Agreement, the remaining consideration for the Disposal will be RMB95 million (the “**Amount Payable**”), which shall be satisfied by the Purchaser to Shenzhen Guohua in cash as follows:

- (a) within three (3) days from the date of the Disposal Agreement, the Purchaser shall pay RMB19 million to Shenzhen Guohua, representing 20% of the Amount Payable (the “**First Payment**”);
- (b) within 180 days from the date of the Disposal Agreement, the Purchaser shall pay RMB28.5 million to Shenzhen Guohua, representing 30% of the Amount Payable (the “**Second Payment**”); and
- (c) within 270 days from the date of the Disposal Agreement, the Purchaser shall pay RMB47.5 million to Shenzhen Guohua, representing the remaining balance of the Amount Payable (the “**Balance Payment**”).

## **Basis for determination of the consideration for the Disposal**

The Consideration was arrived at after arm's length negotiation between the parties to the Disposal Agreement with reference to, among other things:

- (i) the unaudited net asset value of the Target Company of RMB33.58 million as at 28 February 2022;
- (ii) the Sale Loan in the sum of approximately RMB53.48 million, which represents the advance payments and receivables of the Group in the Target Company;
- (iii) the appraised market value of the Target Interest of approximately RMB66 million as at 28 February 2022 based on the valuation report prepared by an independent valuer under the assets approach;
- (iv) the current development status of the Land Parcel; and
- (v) the reasons and benefits as set out in the paragraph headed "Reasons for and benefits of entering into the Disposal Agreement" in this announcement.

Based on the above, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Completion**

Within three (3) business days from the receipt of the First Payment, Completion will take place and Shenzhen Guohua shall hand over the Target Company to the Purchaser on an as-is basis. With effect from the Completion Date, the operations and finance of the Target Company will be managed by the Purchaser, and Shenzhen Guohua will neither be entitled to any shareholder's rights and interests nor assume any shareholder's responsibilities and obligations in relation to the Target Company, all of which will be transferred to the Purchaser.

Within three (3) business days from the receipt of the Second Payment, Ningbo Sixing will release the existing Equity Pledge, and immediately after the transfer of the Target Interest by Shenzhen Guohua to the Purchaser, the Purchaser will then pledge the Target Interest in favour of Ningbo Sixing as security for its obligations under the Equity Transfer Agreement.

Upon the settlement of the Amount Payable in full by the Purchaser, the benefit of the Sale Loan will be assigned to the Purchaser.

## **Default interest and Termination**

If the Purchaser fails to settle any of its payment obligations in full within the time limit stipulated in the Disposal Agreement, a daily default interest of 0.03% on the Consideration will accrue.

If the Purchaser fails to settle any of its payment obligations in full for a period of over 90 days, Shenzhen Guohua shall be entitled to terminate the Disposal Agreement, whereby (i) the Purchaser shall pay Shenzhen Guohua and other parties a sum equivalent to 10% of the Consideration as compensation, and (ii) the Purchaser shall return and transfer back any and all rights and properties (including the Target Interest) received under the Disposal Agreement to Shenzhen Guohua, and each of Ningbo Sixing and the Target Company agrees to assist in such transfer.

The Target Company also agrees to guarantee the payment obligations of the Purchaser under the Disposal Agreement.

## **THE SUPPLEMENTAL AGREEMENT**

In connection with and prior to entering into the Disposal Agreement, on 29 March 2022, Shenzhen Guohua, Ningbo Sixing and the Target Company entered into the Supplemental Agreement to amend certain terms of the Equity Transfer Agreement, details of which are summarized below:

- (a) Shenzhen Guohua (or with effect from Completion, the Purchaser) will transfer to Ningbo Sixing an underlying interest in properties with a construction area of 4,200 square meters (the “**Relevant Interest**”), at such time to be further agreed with Ningbo Sixing, at the estimated consideration of approximately RMB32.42 million;
- (b) the Payment Obligation will be fully set-off against the consideration for the Relevant Interest. The balance payable by Ningbo Sixing to Shenzhen Guohua (or with effect from Completion, the Purchaser) after the set-off is estimated to be approximately RMB1.42 million; and
- (c) as the Target Company owed Ningbo Sixing an amount of RMB4.44 million which was agreed to be borne by Shenzhen Guohua (or with effect from Completion, the Purchaser), after the set-off against the sum of approximately RMB1.42 million payable by Ningbo Sixing to Shenzhen Guohua (or with effect from Completion, the Purchaser) referred in paragraph (b) above, Shenzhen Guohua (or with effect from Completion, the Purchaser) agrees to pay the balance of approximately RMB3.02 million to Ningbo Sixing by 31 October 2022.

As at the date of this announcement, Shenzhen Guohua has not transferred the Relevant Interest to Ningbo Sixing and expects that both obligations to transfer the Relevant Interest and to pay the balance of approximately RMB3.02 million to Ningbo Sixing pursuant to the Supplemental Agreement will be assumed by the Purchaser upon Completion.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. As at the date of this announcement, it has a registered capital of RMB30 million which is fully paid up. It is principally engaged in property development in the PRC.

The Target Company holds the land use rights of the Land Parcel. The Land Parcel is located at Haiyong Road, Haiyong County, Haimen City, Jiangsu Province, the PRC, which are planned for commercial use.

Set out below is certain unaudited financial information of the Target Company for the two financial periods respectively ended 31 December 2019 and 31 March 2021:

	<b>For the year ended 31 December 2019</b>	<b>For the fifteen months ended 31 March 2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Net loss before and after taxation	256	4,576

*Note:* On 19 June 2020, the Company changed its financial year end date from 31 December to 31 March. As an indirect wholly-owned subsidiary of the Company, the Target Company prepared its financials for the same financial period to align with the Group.

The unaudited net assets value of the Target Company as at 28 February 2022 was approximately RMB33.58 million.

## **INFORMATION ON THE GROUP**

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.

## **INFORMATION ON THE PARTIES**

### **Shenzhen Guohua**

Shenzhen Guohua is a limited liability company established in the PRC in January 2019, which is wholly-owned by the Company. Its principal business activities include enterprise management and investment consultation.

### **Ningbo Sixing**

Ningbo Sixing is a limited liability company established in the PRC in September 2018.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) Ningbo Sixing is principally engaged in e-commerce and investing in various enterprises in the PRC; (ii) Ningbo Sixing is ultimately held as to 80% by Han Liang\* (韓亮) and 20% by Dang Xiaoyong\* (黨小勇); and (iii) Ningbo Sixing and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **The Purchaser**

The Purchaser is a limited liability company established in the PRC in June 2017.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) the Purchaser is principally engaged in, among other things, property development, leasing of commercial premises and property management in the PRC; (ii) the Purchaser is ultimately held as to 67% by Bu Xianglan\* (卜祥蘭) and 33% by Meng Haicheng\* (孟海程); and (iii) the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AGREEMENT AND THE SUPPLEMENTAL AGREEMENT**

### **Reasons for and benefits of entering into the Disposal Agreement**

The Board is of the view that the Group's current growth is mainly driven by principal businesses such as project management services, data analytical services, interior design services and building construction contracting services, while the Board is also aware of the liquidity requirements of the Group in developing the aforementioned principal businesses and building the new metaverse off-line experience project. The Board also notes that in recent years, property developers in Mainland China have been facing various challenges and difficulties in their operations, in particular, there has been a certain degree of volatility in property prices in the area where the Land Parcel of the Target Company is located at, which brings unpredictable uncertainties and risks to the development and future sales of the Project.

In view of the above, the Board believes that entering into the Disposal Agreement to dispose of the interest in the Target Company can enable the Group to early realize the potential profit of the Project and reallocate resources to the development of businesses with relatively manageable risks and growth prospects. Immediately after the disposal of the Target Company, the Board will withdraw the Group from the property development business segment. The Company considers that the cessation of the property development business will not have any material adverse impact on the overall business and operations of the Group.

### **Reasons for and benefits of entering into the Supplemental Agreement**

The Supplemental Agreement was entered into by the Group to set out the mechanism for settlement of the balance of the consideration for the previous acquisition of the Target Company under the Equity Transfer Agreement, and to ascertain the indebtedness between Ningbo Sixing (as the former shareholder) and the Target Company, so as to enable the parties to the Disposal Agreement to reach a consensus and ultimately facilitate the Disposal. Under the combined effect of the Disposal Agreement and the Supplemental Agreement, after the Purchaser assumes all the rights and obligations under the Equity Transfer Agreement upon Completion, the Group will not be required to settle the balance of the consideration for the previous acquisition of RMB31 million to Ningbo Sixing, and the equivalent amount will be deducted from the Consideration. The Board considers that this arrangement has simplified the transaction structure for the Disposal and also dealt with the Payment Obligation under the Equity Transfer Agreement.

In view of the above, the Directors consider that the terms of the Disposal Agreement and the Supplemental Agreement are on normal commercial terms and fair and reasonable, and the Disposal and the transactions contemplated under the Disposal Agreement and the Supplemental Agreement are in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon Completion, the Company will cease to hold any equity interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

The Company expects that after deducting the relevant costs and expenses incurred in connection with the Disposal, the unaudited net proceeds for the Disposal will be approximately RMB94.80 million and the Company intends to apply the net proceeds for business operations and working capital purposes.

For illustrative purpose only and subject to final audit, it is expected that the Company will record a net gain on the Disposal of approximately RMB39 million, which is calculated by reference to the difference between (i) the aggregate consideration for the Disposal of RMB126 million, and (ii) the unaudited net asset value of the Target Company of RMB33.58 million as at 28 February 2022 plus the Sale Loan owing by the Target Company to the Group in the sum of approximately RMB53.48 million, and deducting the relevant costs and expenses incurred in connection with the Disposal.

## **LISTING RULES IMPLICATIONS**

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

## **DEFINITIONS**

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“Company”	China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 370)
“Completion”	handover of the Target Company pursuant to the Disposal Agreement as evidenced by the execution of a completion certificate by Shenzhen Guohua and the Purchaser

“Completion Date”	the date on which Shenzhen Guohua and the Purchaser execute a completion certificate with respect to Completion
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal, being RMB126 million
“Directors”	directors of the Company
“Disposal”	the disposal of the Target Interest and the assignment of the Sale Loan by Shenzhen Guohua to the Purchaser contemplated under the Disposal Agreement
“Disposal Agreement”	the agreement dated 29 March 2022 entered into by and among Ningbo Sixing, Shenzhen Guohua, the Target Company and the Purchaser in relation to the Disposal
“Equity Pledge”	the pledge of the entire equity interest in the Target Company by Shenzhen Guohua in favour of Ningbo Sixing as contemplated under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 14 January 2020 entered into by and among Shenzhen Guohua, Ningbo Sixing and the Target Company in relation to the transfer of 100% equity interest in the Target Company, as amended and supplemented by the Supplemental Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Parcel”	the parcel of land located at Haiyong Road, Haiyong County, Haimen City, Jiangsu Province, the PRC* (中國江蘇省海門市海永鄉海永大道)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Sixing”	Ningbo Sixing Information Technology Co., Ltd.* (寧波思行信息科技 有限公司), a limited liability company established in the PRC
“Project”	the project in respect of developing the Land Parcel
“PRC”	the People’s Republic of China
“Purchaser”	Beijing Taoli Chunfeng Real Estate Property Development Co., Ltd.* (北京桃李春風房地產開發有限公司), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the aggregate amount outstanding and owing by the Target Company to the Group as at the date of the Disposal Agreement in the sum of approximately RMB53.48 million (if any adjustment is required upon Completion, the total Consideration will remain unchanged whereas adjustment will be made to increase/decrease the portion of consideration for the Target Interest)
“Shares”	ordinary shares in the share capital of the Company
“Shareholders”	holders of Shares
“Shenzhen Guohua”	Shenzhen Guohua Construction Industrial Co., Ltd.* (深圳國華建業實 業有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 29 March 2022 entered into by and among Ningbo Sixing, Shenzhen Guohua and the Target Company to amend and supplement certain terms of the Equity Transfer Agreement

“Target Company”	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), a limited liability company established in the PRC
“Target Interest”	the entire equity interest in the Target Company, which is held by Shenzhen Guohua and pledged to Ningbo Sixing under the Equity Pledge as at the date of this announcement
“%”	per cent.

\* *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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

Hong Kong, 29 March 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.*