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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 REMAINING 33% EQUITY INTEREST
IN THE TARGET COMPANY**

Financial Adviser to the Company



英皇企業融資有限公司
Emperor Corporate Finance Limited

DISCLOSEABLE TRANSACTION

On 21 December 2023, 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, 33% of the issued shares of the Target Company at an aggregate consideration of HK\$70 million.

As at the date of this announcement, the Target Company is owned as to 67% and 33% by the Purchaser and the Vendor, respectively. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

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

As at the date of this announcement, the Vendor holds 33% equity interest in the Target Company and the Guarantor is a director of the Target Company which is an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Vendor and the Guarantor are not regarded as connected persons of the Company and the Transaction does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

INTRODUCTION

On 21 December 2023, 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, 33% of the issued shares of the Target Company at an aggregate consideration of HK\$70 million.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

21 December 2023

Parties

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor holds 33% equity interest in the Target Company and the Guarantor is a director of the Target Company which is an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Vendor and the Guarantor 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, 33% equity interest in the Target Company.

Consideration

The consideration payable for the sale and purchase of the Sale Shares shall be HK\$70 million which shall be settled in cash in the following manner:

- (i) a sum of HK\$35 million (the "**Deposit**"), shall be payable by the Purchaser or its designated party to the designated bank account of the Vendor on or before the fifteenth (15th) Business Day following the date of the Agreement;
- (ii) the Deposit will become the first payment upon Completion; and
- (iii) the remaining balance of HK\$35 million, being the final payment, shall be payable by the Purchaser or its designated party to the designated bank account of the Vendor no later than one hundred and eighty (180) calendar days after the Completion Date.

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 estimated value of 33% equity interest in the Target Group as at 31 October 2023 of HK\$71 million based on the valuation report prepared by APAC Asset Valuation and Consulting Limited, an independent valuer; and (iii) 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 by the Group's internal resources.

The fair value of 33% equity interest in the Target Group of HK\$71 million as at 31 October 2023 is determined by an independent valuer under the market approach. The independent valuer has also considered income approach and cost approach. However, income approach is not recommended as many assumptions that would be involved in a comprehensive profit forecast, which would be difficult to support in the fair value assessment of shares of a business; and cost approach is not appropriate as it ignores the economic benefits of ownership of the business. An exhaustive list of comparable companies has been selected based on the selection criteria including, among others, companies listed in worldwide recognised stock exchanges with sufficient operating histories (excluding outliers with abnormal and extreme operating performance) that are principally engaged in the business of financial information, solutions and data analytical services. The adjusted price/earnings multiple (as adjusted by size premium) was used and further adjustments were made for (i) non-operating assets and liabilities and (ii) discount for lack of marketability. The valuation was based on certain assumptions that, among others, (i) there will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation; (ii) there will be no major changes in the current taxation law in the areas in which the Target Group carries on its business, that the rate of tax payable remains unchanged (the Target Group would be subject to the current effective tax rate of 2.18% (as derived from 15% tax rate enjoyed as a high-tech enterprise in the PRC and recurring tax deductions for annual research and development expense) under normal circumstance) and that all applicable laws and regulations will be complied with; (iii) the Target Group will retain their management and technical personnel to maintain their ongoing operations; and (iv) there will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business.

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

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 having obtained all necessary approval and consent for the Transaction, including but not limited to (i) the approval of the relevant board of directors and/or the shareholders (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;

- (b) each representation and warranty set out in the Agreement given by the Vendor remaining true, accurate and not misleading in any respect;
- (c) the Vendor having complied with and performed all of its obligations upon or prior to the Completion Date pursuant to the Agreement;
- (d) no laws, rules, regulations or actions from any governmental institution restricting, prohibiting or delaying the Transaction; and
- (e) no material adverse change or effect having taken place.

Save for Condition Precedent (a), the Purchaser may at its absolute discretion waive the other Conditions Precedent under the Agreement at any time.

In the event that any of the above Conditions Precedent is not fulfilled or waived on or before the Long Stop Date, the Purchaser may terminate the Agreement by written notice to the Vendor and the Deposit shall be refunded in full by the Vendor on or before the third (3rd) Business Day upon receipt of written notice from the Purchaser.

Completion

Completion shall take place at noon on the Completion Date upon all the conditions precedent as set out in the section headed “Conditions Precedent” above are fulfilled or waived by the Purchaser (as the case may be), or an extended time or date permitted pursuant to the Agreement or such other date as may be agreed by the parties to the Agreement in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial results of the Target Group will continue to be consolidated into the accounts of the Group.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability, which is owned as to 33% by the Vendor and owned as to 67% by the Purchaser as at the date of this announcement. The Target Company is principally engaged in investment holding and its principal subsidiary is principally engaged in provision of data analytical services and solutions to customers in the PRC.

Set out below is a summary of unaudited financial information of the Target Group for the years ended 31 March 2022 and 31 March 2023:

	For the year ended 31 March 2022	For the year ended 31 March 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss)/profit before tax	(3,620)	10,749
Net (loss)/profit after tax	(6,679)	10,973

The unaudited combined total assets value and net assets value of the Target Group as at 31 October 2023 were approximately HK\$67.2 million and approximately HK\$29.7 million respectively.

INFORMATION OF THE GROUP AND THE PURCHASER

The principal activity of the Company is investment holding. The Group is 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 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

It is the intention of the Group to leverage its know-how in big data to explore and formulate strategic development plan in relevant fields, including but not limited to new retail business and application of artificial intelligence, in order to seek new profit growth drivers of the Group. As such, the Transaction is a strategic move to the Group with an aim to diversify its revenue stream by expanding into data-centric industries and differentiate itself from its conventional operations.

By consolidating control and gaining complete ownership in the Target Company, the Group will strengthen its influence over the Target Group's business direction and operations. Greater control over the Target Group will enable the Group to fully integrate its advanced data analytical capabilities into the Group's operations and business strategy, thus providing the Group with flexibility to cope with technological advancement and market trends. The Board expects that the Transaction will create synergy benefits for widening the spectrum of the Group's business. Hence, the increased control in the Target Group will enhance the Group's ability to utilise the data analytical technology effectively and therefore contribute to the Group's growth in the data-driven markets.

In view of the above, and taken into account the Consideration representing a slight discount of approximately 1.4% to the estimated value of 33% equity interest in the Target Group as at 31 October 2023 of HK\$71 million based on the valuation report prepared by an independent valuer, the Board considered that the Consideration represents a fair and reasonable value for the Target Company.

Accordingly, the Directors consider that the terms of the Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company 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) of the Transaction is 5% or more but all of them are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor holds 33% equity interest in the Target Company and the Guarantor is the director of the Target Company which is an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Vendor and the Guarantor are not regarded as connected persons of the Company and the Transaction does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

None of the Directors have any material interest in the Agreement and the transactions contemplated thereunder and hence no Director was required to abstain from voting on the relevant resolutions of the Board approving the same.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 21 December 2023 entered into by and among the Purchaser, the Vendor and the Guarantor in relation to the Transaction
“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”	within five (5) Business Days upon all the Conditions Precedent 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
“Condition(s) Precedent”	the condition(s) precedent to completion of the Transaction
“Consideration”	the total consideration of HK\$70 million to be paid by the Purchaser or its designated person 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”	29 March 2024 or such other date as the Purchaser may otherwise agree in writing
“PRC”	the People’s Republic of China
“Purchaser”	China Best Big Data Service Group 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”	33 shares of US\$1 each in the capital of the Target Company, representing 33% 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, a company incorporated in the British Virgin Islands with limited liability and owned as to 33% by the Vendor and 67% 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 transfer 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, 21 December 2023

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 three independent non-executive Directors, namely, Mr. Liu Tonghui, Ms. Yin Meiqun and Mr. Ye Jianmu.