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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) MEMORANDUM OF UNDERSTANDING
IN RELATION TO THE PROPOSED ACQUISITION
AND
(2) CHANGE OF USE OF PROCEEDS FROM THE PLACING**

This announcement is made by China Best Group Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in order to keep the shareholders of the Company and potential investors informed of (a) the latest business development of the Group; and (b) the change of use of proceeds from the placing of new shares under the general mandate of the Company (the “**Placing**”), which was completed on 25 June 2018.

(1) MEMORANDUM OF UNDERSTANDING

On 16 January 2019, China Best Financial Holdings Limited (“**China Best Financial**”), a wholly-owned subsidiary of the Company, and Fortunate Bay Limited (“**Fortunate Bay**”) entered into a memorandum of understanding (the “**MOU**”), pursuant to which China Best Financial agreed to enter into further negotiation with Fortunate Bay regarding a possible conditional acquisition of 100% equity interest in South Shore Group Limited (the “**Target Company**”), which will in turn indirectly hold 100% equity interest in Shuwu (Hainan) Assets Management Co., Ltd.* (數巫(海南)資產管理有限公司) (“**Shuwu Hainan**”) upon completion of the Reorganization (as defined below) (the “**Proposed Acquisition**”).

* *For identification purpose only*

Principal terms of the MOU are set out as follows:

Preliminary Framework of the Proposed Acquisition

Subject to the Reorganization, China Best Financial intends to acquire and Fortunate Bay intends to transfer 100% equity interest in the Target Company.

The consideration for the Proposed Acquisition, the basis of consideration and the detailed payment methods shall be determined in the definitive agreement to be entered into by the parties (the “**Definitive Agreement**”). The Definitive Agreement shall contain the terms customary for the transaction similar to the Proposed Acquisition, including but not limited to, the conditions precedent, the covenants prior to the completion of the transaction and the representations and warranties of Fortunate Bay.

Fortunate Bay and Mr. Zhao Jinyue* (趙瑾岳) (“**Mr. Zhao**”) are in the process of reorganization, upon completion of which the Target Company will indirectly hold 100% equity interest in Shuwu Hainan via its Hong Kong wholly-owned subsidiary and PRC wholly-owned subsidiary (the “**Reorganization**”).

Refundable Earnest Money

Within five (5) business days upon signing of the MOU, China Best Financial (or the Company) shall pay an earnest money of HK\$30 million (the “**Earnest Money**”) to Fortunate Bay (or its designated party). Should (i) the parties fail to enter into the Definitive Agreement for the Proposed Acquisition within the Exclusivity Period (as defined below), or (ii) the MOU is terminated by a written notice of China Best Financial prior to the end of the Exclusivity Period, the Earnest Money shall be refunded to China Best Financial (or its designated party) within one (1) business days after the expiry of the Exclusivity Period or the termination date of the MOU, whichever is earlier.

In the event that the Definitive Agreement is entered into between China Best Financial and Fortunate Bay, the Earnest Money would become part of the payment of the consideration for the Proposed Acquisition.

Exclusivity Period and Due Diligence

Fortunate Bay has agreed and undertaken that it shall complete the Reorganization and it or its affiliates or their agents shall not enter into any negotiation, arrangement or agreement with any other party relating to the Proposed Acquisition from the date of the MOU to 16 July 2019 or at any later date which the parties may otherwise agree (the “**Exclusivity Period**”).

During the Exclusivity Period, China Best Financial is entitled to conduct business, legal, financial and tax due diligence, etc. on the Target Company, its subsidiaries and Shuwu Hainan (collectively, the “**Target Group**”). Fortunate Bay shall provide to China Best Financial and its professional advisers access to all records and documents of the Target Group forthwith upon request for due diligence purpose.

Legal Effect

The MOU does not constitute any legally binding commitment in respect of the Proposed Acquisition, save and except that each party agrees to be legally bound by certain provisions relating to, among others, Earnest Money, Exclusivity Period, confidentiality, dispute resolutions and governing law. The Proposed Acquisition is subject to further negotiation of the terms of the Definitive Agreement between the parties and the execution and completion of the Definitive Agreement, if any.

Information on Fortunate Bay and the Target Group

Fortunate Bay is a limited liability company incorporated in the British Virgin Islands and is an investment holding company, which is wholly-owned by Mr. Zhao.

The Target Company is a limited liability company incorporated in the British Virgin Islands and is an investment holding Company, which is wholly-owned by Fortunate Bay. As at the date of this announcement, Shuwu Hainan is a limited liability company established in the People’s Republic of China (the “**PRC**”) and wholly-owned by Mr. Zhao. Shuwu Hainan is a fund manager and engaged in private equity securities investment business in the PRC, which is registered with Asset Management Association of China* (中國證券投資基金業協會).

On 10 September 2018, China Best Finance Limited, the Company's wholly-owned subsidiary engaging in money lending business, provided a five-month loan in an amount of HK\$45 million at the interest rate of 8% per annum to Regent Device Limited, which is wholly-owned by Mr. Zhao. The loan is secured by the guarantee provided by Mr. Zhao. Save as aforesaid, to the best of the knowledge of the directors of the Company (the "**Directors**"), their information and belief having made all reasonable enquiry, Fortune Bay and its beneficial owner, that is, Mr. Zhao, are independent of the Company and connected persons (has the meaning ascribed to it under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) of the Company.

(2) CHANGE OF USE OF PROCEEDS FROM PLACING

References are made to the announcements of the Company dated 30 May 2018 and 25 June 2018 in relation to the Placing and the completion of Placing (the "**Announcements**"). Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise specified.

As disclosed in the Announcements, the Company intends that the net proceeds of the Placing, in the amount of approximately HK\$99.30 million, will be used for developing the money lending business of the Group and/or enhancing its general working capital.

As of the date of this announcement, HK\$45 million has been utilized for money lending business of the Group and approximately HK\$54.30 million of the net proceeds from the Placing remained unutilized.

Having considered the prospects that the Proposed Acquisition may bring to the Group, the impact of the change in the use of proceeds from the Placing on the business of the Group and the reasons and benefits for the Proposed Acquisition as discussed below, the Board is of the view that the re-allocation of proceeds from the Placing will allow the Company to better utilize its financial resources in a more efficient manner, improve the flexibility in its fund deployment and strengthen the future development of the Group in the long run. The Board believes that the change in the use of proceeds from the Placing will not have any material adverse effect on the existing business and operation of the Group.

The net proceeds from the Placing will be re-allocated in the following manner:

- (i) HK\$30 million would be applied to potential investment opportunities such as the Proposed Acquisition, if materialized; and
- (ii) approximately HK\$24.30 million would be remained for developing the money lending business of the Group and/or enhancing its general working capital.

REASONS FOR THE PROPOSED ACQUISITION

The Board considers that the Proposed Acquisition is in line with the Group's long term development and investment strategy and represents a good opportunity for the Group to expand assets management business in the PRC. The Board is of the view that the Proposed Acquisition, if materialized, would bring in great return to the Group in the long run and enable the Group to further strengthen its revenue and client base. The Board considers that the Proposed Acquisition and the change of use of proceeds from the Placing are in the best interests of the Company and its shareholders as a whole.

GENERAL

The Company will keep its shareholders and potential investors informed of any material development in connection with the Proposed Acquisition by way of further announcement(s) as and when appropriate in compliance with the requirements of the Listing Rules.

The Proposed Acquisition is subject to further negotiation and results of the due diligence review, which may or may not materialize. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board

China Best Group Holding Limited

Mr. Liu Wei

Executive Director and Chief Executive Officer

Hong Kong, 16 January 2019

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, one non-executive Director, namely, Ms. Wang Yingqian, and three independent non-executive Directors, namely, Mr. Liu Haiping, Mr. Liu Tonghui and Mr. Ru Xiangan.