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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)

**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED
SHARE CAPITAL OF TOTAL FAME HOLDINGS LIMITED**

Financial adviser

AMASSE CAPITAL
寶 積 資 本

THE AGREEMENT

On 18 December 2019, after trading hours, the Purchaser, the Vendor and the Guarantors entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the Sale Share at an aggregate consideration of HK\$70,000,000 and the Guarantors agreed to guarantee the performance of the obligations of the Vendor under the Agreement.

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

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the Transaction is above 25% but all of them are less than 100%, the Transaction constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will seek the Shareholders' approval at the SGM for the approval of the Agreement and the Transaction.

* for identification purpose only

GENERAL

The SGM will be convened to consider and, if thought fit, approve, among other things, the Agreement and the Transaction.

A circular containing, among others, further details of (i) the Agreement and the Transaction; (ii) the financial information and other information of the Target Group; (iii) unaudited pro forma financial information of the enlarged Group; (iv) the valuation report of the Target Group; and (v) a notice convening the SGM, will be despatched to the Shareholders on or before 31 January 2020 as additional time is required to prepare the above information to be included in the circular.

The Transaction is subject to a number of conditions precedent which may or may not be fulfilled, as such the Transaction may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

18 December 2019

Parties

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

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

Share Transfer

Pursuant to the Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Share as at the date this announcement, free from all encumbrances for the Consideration of HK\$70,000,000.

Consideration

The Consideration is HK\$70,000,000 and will be settled in cash in the following manner:

- (i) HK\$56,000,000 will be payable to the Vendor or its designated person within three business days of Completion (the “**First Payment**”); and
- (ii) the remaining balance of HK\$14,000,000 (the “**Remaining Consideration**”), will be payable to the Vendor or its designated person within three business days of issue of the profit confirmation notice to the Vendor.

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 profit guarantee and the adjustment mechanism (details set out in the section below headed “**Profit Guarantee and Adjustment**”) and (iii) the estimated value of 100% equity interest in the Target Group as at 30 September 2019 of approximately RMB87,000,000, based on the preliminary valuation report prepared under market-based approach by an independent valuer.

The Consideration will be funded by the Group’s internal resources.

Profit Guarantee and Adjustment

Pursuant to the Agreement, the Vendor undertakes to the Purchaser that the 2019 Profit shall be not less than RMB9,000,000 (the “**Guaranteed Profit**”).

The Purchaser is entitled to appoint an auditor to conduct an audit of Jiangwei Shaanxi for the year ending 31 December 2019. The audit report of Jiangwei Shaanxi shall be prepared based on HKFRSs and shall be final and conclusive for determining the Guaranteed Profit.

If the 2019 Profit is equal to or more than RMB9,000,000, the Purchaser shall pay the Remaining Consideration to the Vendor or its designated person within three business days of issue of the profit confirmation notice to the Vendor.

In the event that the 2019 Profit is less than RMB9,000,000, the Remaining Consideration will not be payable.

In the event that the 2019 Profit is less than RMB7,160,000, the Vendor shall refund to the Purchaser the amount, by cash, calculated based on the below formula on 29 February 2020 or such other date as the parties to the Agreement may agree in writing:

$$\frac{(\text{RMB7,160,000} - \text{2019 Profit})}{\text{RMB7,160,000}} \times \text{the First Payment}$$

The Guaranteed Profit was determined between the Purchaser and the Vendor after arm's length negotiations with reference to, among other things, the unaudited net profit after tax of Jiangwei Shaanxi in the amount of approximately RMB7,160,000 for the nine months ended 30 September 2019.

Guarantors' Guarantee

Pursuant to the Agreement, the Guarantors undertake to provide an unconditional and irrevocable guarantee in favour of the Purchaser if the Vendor fails to perform its 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 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 the Board's approval and the Shareholders' approval at the SGM and relevant contract party's consents to carry out the Transaction;

- (c) the Vendor having obtained all necessary approval and consent for the Transaction, including the approvals from its board of directors and relevant contract party's consents to carry out the Transaction;
- (d) the valuation of the Target Group being not less than HK\$70,000,000, as evaluated by an independent valuer designated by the Purchaser;
- (e) each representation and warranty set out in the Agreement given by the Vendor remaining true, accurate and not misleading in any respect as at the date of the Agreement and on Completion;
- (f) the Vendor having complied with and performed all of its obligations upon or prior to the Completion pursuant to the Agreement; and
- (g) no laws, rules, regulations or actions from any governmental institution restricting, prohibiting or delaying the Transaction or the continuing operation of the Target Group.

Save for conditions precedent (b) and (d) 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 whereupon the Agreement shall terminate with no further effect, except for certain surviving provisions and any liability in respect of any antecedent breach.

As at the date of this announcement, save for the Board's approval and the board of directors' approval from the Vendor in relation to the Agreement and the Transaction have been obtained, none of the above conditions precedent has been fulfilled.

Completion of the Transaction

Completion shall take place within five (5) business days upon all the conditions precedent as set out in the section headed "**Conditions Precedent of the Transaction**" above 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.

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

REASONS FOR AND BENEFITS OF THE TRANSACTION

Positive prospect of the PRC construction industry that the Target Group operates in

In 2017, the PRC government published 《國務院辦公廳關於促進建築業持續健康發展的意見》 (Opinions of the General Office of the State Council on Promoting Healthy Growth of Construction Industry*) to enhance and optimize the construction market including, but not limited to reducing entry barriers for cross-province construction to provide a fair competition platform for all participants in the market.

In 2019, the PRC government published 《二零一九年新型城鎮化建設重點任務》 (Key Tasks of New-type Urbanization for 2019*) to optimize plans for urbanization including, but not limited to strengthening support for transportation networks, promoting high-quality urban development, strengthening the construction of urban infrastructure and accelerating the development of urban-rural integration.

According to 中華人民共和國國家統計局 (National Bureau of Statistic of China*) (“NBSC”), the investment in real estate development of the PRC increased from RMB9,503.6 billion in 2014 to RMB12,026.4 billion in 2018, representing a compound annual growth rate (“CAGR”) of 6.1% from 2014 to 2018.

According to NBSC, the total output value of construction industry of the PRC increased from RMB17,671.3 billion in 2014 to RMB23,508.6 billion in 2018, representing a CAGR of 7.4% from 2014 to 2018.

According to the statistics from 陝西省統計局 (Shaanxi Provincial Bureau of Statistics*), there was an increasing trend of the urbanization (as indicated by, among other things, the gross domestic product and population) in Shaanxi province during the years from 2013 to 2018. In order to accommodate the increasing urban population in cities and economic development, it is believed that there are growing opportunities and a continuous growth for building construction projects of both residential and commercial properties in this province.

In light of (i) the favourable government policy in relation to the construction market; (ii) the growth of real-estate industry and construction industry; and (iii) the increasing urbanization rate as discussed above, the Directors believe that the future prospect and outlook of the construction industry in the PRC is positive.

Diversification of the revenue stream of the Group

In view of the positive prospect of the construction industry in the PRC as discussed above, the Directors are of the view that the Transaction provides an opportunity for the Group to enter into the PRC construction industry and the Group is expected to be benefited from diversifying its revenue stream.

Improvement of the profitability of the Group

Jiangwei Shaanxi recorded an unaudited net profit after tax of approximately RMB4,610,000 for the year ended 31 December 2018 and RMB7,160,000 for the nine months ended 30 September 2019 respectively. In addition, the Vendor agreed to provide the Profit Guarantee. The Transaction is expected to have a positive impact on the Group's profitability in the near future.

Retention of the Target Group's key management

According to the Agreement, the Vendor agreed to procure the Target Group's key management to enter into service agreements for a term of not less than three years commencing from Completion, which will ensure the sustainability as well as consistency on operation and development of the Target Group in the near future.

In view of the above, 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 the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

The Target Group

The Target Company is a limited liability company incorporated in the British Virgin Islands in September 2019, which is owned as to 80% by Ms. Yang Xue (楊雪) and owned as to 20% by Mr. Zhao Guolin (趙國琳). It is an investment holding company. The Target Company through its wholly-owned subsidiaries holds 100% equity interest in Jiangwei Shaanxi. Jiangwei Shaanxi is a limited liability company established in the PRC in August 2014, which principally engages in the business of projects construction contracting in the PRC.

Set out below is a summary of certain unaudited combined financial information of the Target Group (excluding Golden Time^(Note)), prepared in accordance with HKFRSs, for the period from 11 September 2019 (the date of incorporation of the Target Company) up to 30 September 2019:

	For the period from 11 September 2019 up to 30 September 2019 (RMB) approximately
Net profit before tax	2,456,000
Net profit after tax	2,394,000

The unaudited total assets value and net assets value of the Target Group (excluding Golden Time) as at 30 September 2019 were approximately RMB95,591,000 and RMB2,394,000 respectively.

Note: Golden Time became a wholly-owned subsidiary of the Target Company in October 2019. Golden Time is an investment holding company and it has no material asset or liability and has not carried out any business operation since its incorporation in August 2019.

Set out below is a summary of certain unaudited financial information of Jiangwei Shaanxi, prepared in accordance with HKFRSs, for the two years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019:

	For the year ended 31 December 2017 (RMB) <i>approximately</i>	For the year ended 31 December 2018 (RMB) <i>approximately</i>	For the nine months ended 30 September 2019 (RMB) <i>approximately</i>
Net (loss) profit before tax	(36,000)	6,160,000	9,550,000
Net (loss) profit after tax	(36,000)	4,610,000	7,160,000

The unaudited total assets value and net assets value of Jiangwei Shaanxi as at 30 September 2019 were approximately RMB90,400,000 and RMB18,500,000 respectively.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) trading of electronic devices and other commodities, (ii) the finance leasing business, (iii) the money lending business, (iv) the brokerage business, (v) international air and sea freight forwarding and the provision of logistics services, (vi) trading of securities and (vii) property investment.

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

INFORMATION OF THE VENDOR

The Vendor is a limited liability company established in the British Virgin Islands, which is owned by the Guarantors and it is an investment holding company. As at the date of Agreement, the Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the Transaction is above 25% but all of them less than 100%, the Transaction constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will seek the Shareholders' approval at the SGM for the approval of the Agreement and the Transaction.

GENERAL

The SGM will be convened to consider and, if thought fit, approve, among other things, the Agreement and the Transaction.

A circular containing, among others, further details of (i) the Agreement and the Transaction; (ii) the financial information and other information of the Target Group; (iii) unaudited pro forma financial information of the enlarged Group; (iv) the valuation report of Jiangwei Shaanxi and (v) a notice convening the SGM, will be despatched to the Shareholders on or before 31 January 2020 as additional time is required to prepare the above information to be included in the circular.

The Transaction is subject to a number of conditions precedent which may or may not be fulfilled, as such the Transaction may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“2019 Profit”	the net profit after taxation (excluding gain or loss arising from valuations, mergers and acquisitions and activities other than ordinary course of business) as shown in the financial statements of Jiangwei Shaanxi for the year ending 31 December 2019 to be prepared in accordance with HKFRSs and audited by the auditor appointed by the Purchaser
“Agreement”	the share transfer agreement dated 18 December 2019 entered into by and among the Purchaser, the Vendor and the Guarantors in relation to the Transaction
“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
“Completion”	completion of the Transaction in accordance with the Agreement
“Consideration”	the total consideration of HK\$70,000,000 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
“Golden Time”	Golden Time World Limited (金滙來有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Target Company
“Guarantors”	Ms. Yang Xue (楊雪) and Mr. Zhao Guolin (趙國琳)

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“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
“Jiangwei Shaanxi”	陝西江威建築工程有限公司 (Shaanxi Jiangwei Construction Projects Co., Ltd.*), a limited liability company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2020 or such other date as the Purchaser may otherwise agree in writing
“PRC”	the People’s Republic of China
“Purchaser”	Esteem Sun 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 Share”	one (1) issued share of the Target Company, representing the entire issued share capital of the Target Company
“SGM”	the special general meeting of the Company to be convened to approve the Agreement and the Transaction
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company ”	Total Fame Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries, including Golden Time and Jiangwei Shaanxi
“Transaction”	the transaction in relation to the transfer of the Sale Share pursuant to the terms and conditions of the Agreement
“Vendor”	Smart Role Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 80% by Ms. Yang Xue (楊雪) and as to 20% by Mr. Zhao Guolin (趙國琳) as at the date of this announcement
“%”	per cent.

By order of the Board
China Best Group Holding Limited
Mr. Liu Wei
Executive Director and Chief Executive Officer

Hong Kong, 18 December 2019

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