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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 100% EQUITY
INTEREST IN THE TARGET COMPANY

DISCLOSEABLE TRANSACTION

On 14 January 2020, after trading hours, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 100% equity interest in the Target Company at an aggregate consideration of RMB41,000,000.

Upon completion of the Transaction, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the Transaction is above 5% but less than 25%, the Transaction constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

14 January 2020

Parties

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor and its ultimate beneficial owners, Han Fengqin* (韓風琴), Wu Zhen* (吳真), Dang Xiaoyong* (黨小勇), Zhang Tong* (張彤) and Li Jinkui* (李津達), the PRC merchants, 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, 100% equity interest in the Target Company at an aggregate consideration of RMB41,000,000.

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 with a total site area of 47,519 square meters, which are planned for commercial use.

Consideration

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiations with reference to, among other things, the unaudited financial statements of the Target Company as at 31 December 2019, the previous investment costs of the Vendor in the Target Company (including the paid-up registered capital of the Target Company) and the prospect of the Land Parcel.

The Consideration will be funded by internal resources and/or fund raising activities of the Group.

The Consideration shall be payable by the Purchaser in cash as described below:

- (a) within three days after the execution of the Agreement, (i) the Purchaser shall pay RMB5,000,000 to the Vendor as deposit (the “**Deposit**”) and (ii) the Purchaser and the Vendor will jointly control and manage the Target Company, including but not limited to placing the business licenses, all the company chops, financial and legal documents and project approvals of the Target Company under the joint control of the Vendor and the Purchaser (the “**Joint Control Arrangement**”);
- (b) on the Completion Date, (i) the Purchaser shall pay RMB5,000,000 to the Vendor and the Deposit shall become part of the Consideration and (ii) the Purchaser shall pledge 100% equity interest in the Target Company in favour of the Vendor (the “**Share Pledge**”); and
- (c) within 45 days of the fulfillment of the following condition, (i) the Purchaser shall pay RMB31,000,000 to the Vendor (the “**Second Payment**”) and (ii) the Vendor shall release the Share Pledge and discharge the Joint Control Arrangement on the date of the Second Payment:

within 90 days after the Joint Control Arrangement, the Purchaser shall cooperate and the Vendor shall (i) obtain the Planning Permission of Construction Land* (建設用地規劃許可證); (ii) apply for a new Proposal for Planning and Design Condition* (規劃設計條件意見書) or obtain the confirmation from the government for the current Proposal for Planning and Design Condition* (規劃設計條件意見書) with a plot ratio of not more than 0.9 or similar governmental approval with the same legal effect (the “**New Proposal**”); (iii) enter into a supplemental agreement to the land transfer contract with the local government according to the New Proposal; and (iv) obtain the new Land Use Rights Certificate* (不動產權證書).

If the Vendor fails to comply with the aforesaid condition, the Vendor shall be liable to pay to the Purchaser a daily default payment of 0.05% of the Consideration, and if the default continues for more than 30 days, the Vendor shall release the Share Pledge and discharge the Joint Control Arrangement and the Purchaser will be entitled to hold 100% equity interest in the Target Company solely and the Second Payment will cease to be payable.

In addition, prior to the Second Payment, the Vendor and the Target Company shall complete the following principal matters:

- (a) the Vendor shall deliver the Land Parcel, which is free from all encumbrances, title disputes, disputes related to demolition compensation and litigations and is able to access to water supply, electricity and roads as well as land levelling* (三通一平), to the Purchaser on the Completion Date;
- (b) the Vendor shall properly complete the staff placement of the Target Company and will be liable for losses of the Target Company incurred thereunder; and
- (c) the Target Company shall terminate existing contracts, restructure and offset its debts to the satisfaction of the Purchaser.

If the Target Company fails to disclose its debts or contingent liabilities, the Purchaser is entitled to reduce the Consideration to such amount equal to the amount of the undisclosed debts and contingent liabilities or recover its damages from the Vendor.

The Target Company obtained a government subsidy in the amount of RMB5,300,000, which is required to be returned to the local government. In the event that the Target Company receives the subsidy returning notice (the “**Notice**”) before the Completion Date, the Purchaser is entitle to deduct the amount of subsidy directly from the Consideration. If the Target Company receives the Notice after the Completion Date and the Purchaser has paid the Second Payment, the Purchaser is entitled to claim the amount of subsidy from the Vendor.

Completion of the Transaction and others

Within 45 days after the execution of the Agreement, the Vendor and the Purchaser shall coordinate and file the documents in respect of the transfer of 100% equity interest in the Target Company with the relevant industry and commerce bureau.

Upon completion of the Transaction, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

If the Vendor fails to transfer the 100% equity interest in the Target Company to the Purchaser, the Vendor shall be liable to pay to the Purchaser a daily default payment of 0.05% of the Consideration, and if the default continues for more than 30 days, the Purchaser is entitled to terminate the Agreement and seek for the damage payment of 30% of the Consideration.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Land Parcel is located in a prime location in Chongming Island* (崇明島), which is the third largest island in the PRC and close to Shanghai. The Group intends to develop properties for sale on the Land Parcel, which could provide a diversified source of income for the Group.

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 its shareholders as a whole.

INFORMATION ABOUT THE TARGET COMPANY AND THE LAND PARCEL

The Target Company is a limited liability company established in the PRC in March 2014, which is wholly-owned by the Vendor. As at the date of this announcement, it has a registered capital of RMB30,000,000, 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 with a total site area of 47,519 square meters, which are planned for commercial use.

Set out below is a summary of certain unaudited financial information of the Target Company for the two years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December 2018 (RMB) <i>approximately</i>	For the year ended 31 December 2019 (RMB) <i>approximately</i>
Net loss before and after tax	953,000	256,000

The unaudited total assets value and net assets value of the Target Company as at 31 December 2019 were approximately RMB32,991,000 and RMB23,849,000, respectively.

INFORMATION ABOUT THE PARTIES TO THE AGREEMENT

The Group and the Purchaser

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 PRC in January 2019, which is wholly-owned by the Company. Its principal business activities include enterprise management and investment consultation.

The Vendor

The Vendor is a limited liability company established in the PRC in September 2018. It is principally engaged in e-commerce, development and sales of computer software and hardware in the PRC.

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 5% but less than 25%, the Transaction constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the equity transfer agreement dated 14 January 2020 entered into by and among the Purchaser, the Vendor and the Target Company in relation to the transfer of 100% equity interest in the Target Company
“Board”	the board of Directors of the Company

“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 Date”	the date of issuing the new business license of the Target Company recording the transfer of 100% equity interest in the Target Company from the Vendor to the Purchaser
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB41,000,000 to be paid by the Purchaser pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company
“Land Parcel”	the parcel of land located at 中國江蘇省海門市海永鄉海永大道 (Haiyong Road, Haiyong County, Haimen City, Jiangsu Province, the PRC*) with a total site area of approximately 47,519 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	深圳國華建業實業有限公司 (Shenzhen Guohua Construction Industrial Co., Ltd.*), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	江蘇美麗空間建築設計產業發展有限公司 (Jiangsu Meili Kongjian Construction Design Development Co., Ltd.*), a limited liability company established in the PRC
“Transaction”	the proposed acquisition of the 100% equity interest in the Target Company pursuant to the terms and conditions of the Agreement
“Vendor”	寧波思行信息科技有限公司 (Ningbo Sixing Information Technology Co., Ltd.*), a limited liability company established in the PRC
“%”	per cent.

By Order of the Board
China Best Group Holding Limited
Mr. Liu Wei

Executive Director and Chief Executive Officer

Hong Kong, 14 January 2020

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.