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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)

**UPDATE ON PROFIT GUARANTEE IN RELATION TO
ACQUISITION OF ENTIRE EQUITY INTEREST IN
BEIJING YUEHAI ENTERPRISE MANAGEMENT CO., LTD.***

References are made to the announcements of China Best Group Holding Limited (the “**Company**”) dated 18 February 2020, 24 March 2020, 25 June 2021 and 24 June 2022 (the “**Announcements**”) in relation to the acquisition of the entire equity interest in Beijing Yuehai Enterprise Management Co., Ltd.* (北京岳海企業管理有限公司)(the “**Target Company**”) and the update on the relevant profit guarantee. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

Pursuant to the Agreement, the Vendors irrevocably and unconditionally guaranteed to the Purchaser that the Net Profit for the three years ended 31 December 2020, 2021 and 2022 and the Profit Guarantee Periods (the “**Relevant Periods**”) shall not be less than the following amounts (the “**Guaranteed Profit**”):

Relevant Periods

Guaranteed Profit

the period commencing from 1 January 2020 and ended on 31 December 2020

Not less than RMB10,000,000

the period commencing from 1 January 2021 and ended on 31 December 2021

Not less than RMB13,000,000

* For identification purpose only

Relevant Periods**Guaranteed Profit**

the period commencing from 1 January 2022 and ended on 31 December 2022 (the “**Year of 2022**”)

Not less than RMB17,000,000

Profit Guarantee Periods

Not less than RMB40,000,000

According to the audited consolidated financial statements for the year ended 31 December 2022 of the Target Group dated 23 June 2023, the audited net loss (excluding all non-recurring income except for government subsidies) is approximately RMB4,882,000 and therefore the Target Group has failed to meet the Guaranteed Profit of RMB17,000,000 for the Year of 2022. Given that the Target Group incurred accumulated net losses of approximately RMB8,772,000 for the Profit Guarantee Periods, pursuant to the Agreement, the Purchaser is released from the payment obligation of RMB30,000,000, representing the aggregated amount of the Second Payment, the Third Payment and the Fourth Payment.

The failure of the Target Group to meet the Guaranteed Profit of RMB17,000,000 for the Year of 2022 and RMB40,000,000 for the Profit Guarantee Periods was mainly attributable to (i) lower-than-expected expansion speed of new heating areas located in Xian City and Henan Province; and (ii) difficulties in obtaining necessary permits to utilise geothermal energy in projects located in Hebei Province. The Board (including the independent non-executive Directors) is of the view that (i) save as disclosed, there is no any other adjustment in the consideration for the Transaction, any other consequence or any other obligation of the Vendors under the profit guarantee; and (ii) the Group is not provided with any option to sell the acquired equity interest to any of the Vendors under the Agreement.

By Order of the Board

China Best Group Holding Limited

Mr. Qin Jie

Executive Director and Chief Executive Officer

Hong Kong, 26 June 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.