

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA BEST GROUP HOLDING LIMITED
國華集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

Financial adviser



**DISCLOSEABLE TRANSACTION IN RELATION TO THE
ACQUISITION OF FIVE TARGET COMPANIES**

THE ACQUISITION

The Board is pleased to announce that on 24 January 2017 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at HK\$200,000,000 (subject to adjustment), which will be satisfied by cash. Immediately after completion of the Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company and the accounts of which will be consolidated into the financial statements of the Group.

* For identification purpose only

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Acquisition is subject to satisfaction (or, if applicable, waiver) of certain conditions. There is no assurance that the Agreement and the transactions contemplated thereunder will proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

THE ACQUISITION

On 24 January 2017 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at HK\$200,000,000 (subject to adjustment), which will be satisfied by cash. The Guarantor has provided additional warranties to the accuracy and completeness of the information provided by the Vendor in the Agreement and agreed to perform other obligations under the Agreement. The principal terms of the Agreement are set out below:

THE AGREEMENT

Date

24 January 2017

Parties

- (1) Purchaser: China Best Financial Holdings Limited;
- (2) Vendor: ZR International Holding Company Limited; and
- (3) Guarantor: Mr. Wu Qiaofeng.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, its ultimate beneficial owners and Guarantor are Independent Third Parties as at the date of this announcement.

Subject Matter

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares.

Calculation of Considerations

On the Completion Date, the Vendor shall deliver management accounts of each of the Target Companies as at the date which is three Business Days prior to the Completion Date. Given that there would not be any evident mistake in the management accounts, the Vendor and the Purchaser agree to base on the Management Accounts NAV to determine a tentative consideration ("**Tentative Consideration**") as follows:

- (i) If the Management Accounts NAV is lower than HK\$115,000,000, the Tentative Consideration will be: $\text{HK\$}200,000,000 - (\text{HK\$}115,000,000 - \text{Management Accounts NAV})$; or
- (ii) If the Management Accounts NAV is higher than or equal to HK\$115,000,000, the Tentative Consideration will be equal to HK\$200,000,000.

Within three months upon the Completion Date (or a reasonable period mutually agreed by the parties to the Agreement), the Purchaser shall deliver the Audited Accounts to the Vendor. It is agreed that the auditor responsible for the Audited Accounts will be appointed by the Purchaser and that the Audited Consolidated NAV will be referenced to determine the finalised consideration (“**Finalised Consideration**”) as follows:

- (i) If the Management Accounts NAV is lower than HK\$115,000,000, and the Audited Consolidated NAV is lower than the Management Accounts NAV, the Finalised Consideration will be adjusted as follows: $\text{HK\$200,000,000} - (\text{HK\$115,000,000} - \text{Audited Consolidated NAV})$;
- (ii) If the Management Accounts NAV is lower than HK\$115,000,000, but the Audited Consolidated NAV is higher than or equal to the Management Accounts NAV, the Finalised Consideration will be equal to the Tentative Consideration;
- (iii) If the Management Accounts NAV is higher than or equal to HK\$115,000,000, but the Audited Consolidated NAV is lower than HK\$115,000,000, the Finalised Consideration will be adjusted as follows: $\text{HK\$200,000,000} - (\text{HK\$115,000,000} - \text{Audited Consolidated NAV})$; or
- (iv) If the Management Accounts NAV is higher than or equal to HK\$115,000,000, and the Audited Consolidated NAV is higher than or equal to the Management Accounts NAV, the Finalised Consideration will be equal to the Tentative Consideration.

Consideration

The consideration for the Acquisition will be satisfied in the following manner:

- (1) within five Business Days upon signing of the Agreement, the Purchaser shall pay HK\$20,000,000 in cash to the Vendor. This is the deposit for the Acquisition and shall be deemed as part of the Consideration upon the Completion Date. In case the Agreement is terminated in accordance with the terms stated therein, the Vendor shall refund the whole amount of this deposit within two Business Days after such termination;

- (2) within five Business Days upon fulfilment (or, if possible, waiver) of conditions precedent (c), (e), (f), (g), (j), (k), (l), (m), and (q), the Purchaser shall pay HK\$80,000,000 in cash to the Vendor; and
- (3) within five Business Days upon Completion Date, the Purchaser shall pay the difference between the Tentative Consideration and HK\$100,000,000 in cash to the Vendor.

The Consideration will be funded by (i) remaining proceeds from the Issue of New Shares under Specific Mandate, (ii) internal resources of the Group, and (iii) possible external borrowings and/or equity fund raising if necessary.

The Consideration was arrived at based on normal commercial terms and after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the unaudited consolidated net asset value of the Target Companies as at 31 December 2016, (ii) the licensed status of ZR Securities, ZR Futures, ZR Investment, and ZR Asset Management to carry on their respective regulated activity under the SFO; (iii) the prospects of the Business of the Target Companies, (iv) the premium with reference to other comparables and recent completed transactions in the market, and (v) other factors set out in the paragraph headed "Reasons for and Benefits of the Acquisition" in this announcement.

Refund Mechanism

Upon completion, if:

- (1) the Finalised Consideration is lower than the Tentative Consideration, the Vendor shall, within 14 days after delivery of Audited Accounts, refund the difference between the Tentative Consideration and the Finalised Consideration to the Purchaser; or
- (2) the Finalised Consideration is equal to the Tentative Consideration, the Purchaser shall not be obliged to pay, and the Vendor shall not be obliged to refund, any amount of consideration after the Completion Date.

Conditions Precedent

The completion of the Acquisition is subject to the fulfilment or waiver (if applicable) of the following conditions precedent pursuant to the Agreement:

- (a) the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of each of ZR Securities, ZR Futures, ZR Investment and ZR Asset Management having been obtained and remaining valid;
- (b) all necessary authorisation, consent and approval from the relevant governmental or regulatory authorities or other third parties in connection with Vendor's signing, delivery and performance of the Agreement and transactions contemplated thereby having been obtained;
- (c) approval from the Board and Shareholder's meeting (if applicable) of the Company in respect of the Agreement and transactions contemplated thereby having been obtained;
- (d) all necessary approvals and authorisation in connection with Purchaser's signing, delivery and performance of the Agreement and other relevant documents (besides conditions precedent (a), (c) and (q)) having been obtained;
- (e) approval from the board and shareholder's meeting of the Vendor in respect of the Agreement and transactions contemplated thereby having been obtained;
- (f) none of the Licences having been revoked, withdrawn, terminated or suspended;
- (g) legal, financial and tax due diligence review having been carried out and completed by and to the satisfaction of the Purchaser on the Target Companies;
- (h) all outstanding loans or receivables between any Target Company and its shareholder(s), director(s) or affiliates having been settled;

- (i) all provisions, undertakings, obligations and conditions under the Agreement which are required to be performed or complied with on or before the Completion Date by the Vendor having been fully performed or complied with, and all declarations, warranties and undertakings made by the warrantors remaining true, accurate and not misleading;
- (j) there having been no events or circumstances which have a material adverse effect on the business, financial or operating performances of the Target Companies;
- (k) absence of any winding up order, litigation, arbitration, prosecution, other legal proceedings or investigation by any relevant governmental or regulatory authorities outstanding against any of the Target Companies and the Vendor;
- (l) absence of any request or initiation, promulgation, adoption or issuance of any change in applicable law (or any interpretation thereof) by any governmental or regulatory authorities that would reasonably be expected to result in any direct or indirect obstacle to the completion of this transaction, or to result in any of the situations mentioned in (k) above;
- (m) absence of any litigation or claims pending or threatened against the legality of the transactions under the Agreement, or which may adversely affect the business operations of any of the Target Companies;
- (n) upon Completion Date, the Vendor having signed and delivered the relevant documents required under the Agreement, and having performed the obligations stipulated thereunder;
- (o) the Vendor shall have delivered to the Purchaser a certificate of incumbency in relation to the Vendor issued by its registered agent upon fulfilment (or waiver) of all other conditions, certifying that the Vendor does maintain a register of charges while there has been no registration of any mortgages, charges or other forms of encumbrances on all or any part of the Sale Shares;
- (p) all provisions, undertakings, obligations and conditions under the Agreement which are required to be performed or complied with on or before the Completion Date by the Purchaser having been fully performed or complied with, and all declarations, warranties and undertakings made by the Purchaser remaining true, accurate and not misleading; and

(q) approval from the board and shareholder's meeting of the Purchaser in respect of the Agreement and transactions contemplated thereby having been obtained.

The Vendor shall use its best endeavour to procure the fulfilment of the aforesaid conditions precedent (b) and (e) to (o). The Purchaser shall use its best endeavour to procure the fulfilment of conditions (a), (c), (d), (p) and (q). In any event, conditions (a), (b), (c), (d), (e), (f) and (q) are non-waivable.

In addition, if the Purchaser is aware that any of the conditions precedent cannot be fulfilled or waived on or before the Long Stop Date, the Purchaser is entitled to terminate the Agreement in writing to the Vendor.

Specific undertakings

The Vendor undertakes to use its best efforts to assist the Purchaser and the Target Companies in obtaining the approval from the SFC in relation to (i) the change of substantial shareholder of each of ZR Securities, ZR Futures, ZR Investment and ZR Asset Management, and (ii) the change of premises for the carrying on of the regulated activity(ies) for which the Target Companies are each licensed and for the keeping of records or documents relating to the carrying on of such regulated activity(ies).

Completion

Immediately after completion of the Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company and the accounts of which will be consolidated into the financial statements of the Group.

Guarantor's Obligations under the Agreement

Under the Agreement, the Guarantor and the Vendor (collectively "Warrantors") jointly represent and warrant to the Purchaser that all the warranties, disclosure and information provided with respect to the Vendor, the Guarantor and the Target Companies are true, accurate, complete and not misleading. The Guarantor, jointly with the Vendor, further undertakes to indemnify any and all direct, incidental and consequential losses that the Purchaser may suffer from any breach of the covenants, representations and warranties of the Warrantors.

CHANGE IN USE OF PROCEEDS

Reference is made to the circular of the Company dated 31 December 2015 in relation to the Issue of New Shares under Specific Mandate. Due to the Acquisition, the Company planned to change the use of approximately HK\$54 million out of the remaining proceeds from the Issue of New Shares under Specific Mandate. Breakdown of the intended use of the remaining proceeds as stated in the Interim Report, and the proposed use of the remaining proceeds are summarized as follows:

Intended use of the remaining proceeds stated in the Interim Report

Proposed use of proceeds

- | | |
|---|---|
| (i) Approximately HK\$60 million will be used for purchase not less than 60% of the issued shares of Anli Holdings or acquiring other suitable securities companies, futures companies and/or asset management companies. | The whole amount of approximately HK\$60 million will be used for the Acquisition as intended. |
| (ii) Approximately HK\$48 million will be used for subscription of 40% of the enlarged equity interest in Pets Best. | Approximately HK\$40 million will be used for the Acquisition and the remaining approximately HK\$8 million will be used for general working capital. |
| (iii) Approximately HK\$6 million will be used in the finance leasing business of the Group. | Approximately HK\$6 million will be used for general working capital. |

INFORMATION OF THE GROUP AND THE PURCHASER

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

The Purchaser is an investment holding company incorporated in British Virgin Islands, and a direct wholly-owned subsidiary of the Company.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in British Virgin Islands and through its subsidiaries principally engaged in various financial services business in Hong Kong.

The Vendor is wholly-owned by Dragon Ocean Development Ltd. the sole shareholder of which is the Guarantor. According to the register kept by the Company pursuant to section 336 of the SFO, Dragon Ocean Development Ltd. and the Guarantor are deemed to be interested in a security interest in 500,000,000 Shares, representing approximately 6.88% of the Company's issued share capital as at the date of this announcement.

INFORMATION OF THE TARGET COMPANIES

ZR Securities is a company incorporated in Hong Kong with limited liability. Its principal business is dealing in securities, provision of securities margin financing and securities brokerage services. It is a licensed corporation to carry out Type 1 and Type 4 regulated activities under the SFO.

ZR Futures is a company incorporated in Hong Kong with limited liability. Its principal business is the provision of futures dealings services. It is a licensed corporation to carry out Type 2 regulated activity under the SFO.

ZR Investment is a company incorporated in Hong Kong with limited liability. It is a licensed corporation to carry out Type 5 regulated activity under the SFO and currently is inactive.

ZR Asset Management is a company incorporated in Hong Kong with limited liability. It is a licensed corporation to carry out Type 9 regulated activity under the SFO and currently is inactive.

ZR Corporate Finance is a company incorporated in Hong Kong with limited liability and currently is inactive.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

The unaudited combined net loss (before and after tax) of the Target Companies as extracted from their respective audited accounts for each of the two financial years ended 30 April 2015 and 2016 prepared in accordance with Hong Kong Financial Reporting Standards are as follows:

	For the year ended 30 April 2015 (HK\$'000)	For the year ended 30 April 2016 (HK\$'000)
Loss before and after tax	3,905	9,517

As at 31 December 2016, the unaudited consolidated net asset value of the Target Companies was approximately HK\$134 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Companies are principally engaged in the provision of financial services, including securities and futures dealing, margin financing, asset management and stock broking in Hong Kong.

As disclosed in the annual report of the Company for the year ended 31 December 2015, the Group is laying a foundation for transforming its principal activities into the financial service sector. The entering into of the Agreement is one of the steps taken by the Company to implement this transformation. Also, as stated in the circular of the Company dated 31 December 2015, the Group intends to engage in regulated activities governed by the SFO, such as Type 1 regulated activities (dealing in securities), Type 2 regulated activities (dealing in futures contracts), Type 4 regulated activities (advising on securities), Type 5 regulated activities (advising on futures contracts), and Type 9 regulated activities (asset management). The Company is of the view that the businesses being conducted by the Target Companies will enjoy substantial growth opportunity by leveraging resources and the network of the Group and could provide a diversified source of income for the Group. Given the Shanghai-Hong Kong and Shenzhen-Hong Kong stock connect programmes, the Directors are of the view that the Acquisition will provide an excellent opportunity for the Group to participate in the financial services and asset management market in Hong Kong which, going forward, is expected to increase the Company's value and benefit the Company and the Shareholders as a whole.

The Directors consider that the Acquisition was conducted under normal commercial terms, that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Acquisition is subject to satisfaction (or, if applicable, waiver) of certain conditions. There is no assurance that the Agreement and the transactions contemplated thereunder will proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares under the Agreement;
“Agreement”	the sale and purchase agreement dated 24 January 2017 entered into among the Purchaser, the Vendor and the Guarantor, pursuant to which the Purchaser shall acquire the Sale Shares from the Vendor;
“Anli Holdings”	Anli Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability and its main subsidiary is principally engaged in securities trading and brokerage business in Hong Kong;
“Audited Accounts”	the audited financial statements of the Target Companies as at the Completion Date;

“Audited Consolidated NAV”	consolidated net assets value of the Target Companies as per the Audited Accounts;
“Board”	the board of Directors;
“Business”	the businesses of the Target Companies carried on as of the date of the Agreement;
“Business Day(s)”	any calendar day(s) (other than Saturday, Sunday, a public holiday in Hong Kong);
“Company”	China Best Group Holding Limited (國華集團控股有限公司*), a company incorporated in Bermuda with limited liability and the Shares are listed on the main board of the Stock Exchange (Stock Code: 370);
“Completion Date”	the fifth Business Day after the date of fulfilment (or waiver (if applicable)) of all the conditions precedent set out in the Agreement;
“Consideration”	HK\$200,000,000, Tentative Consideration or Finalised Consideration (as the case may be);
“Director(s)”	the director(s) of the Company;
“Finalised Consideration”	as defined in section “Calculation of Considerations”;
“Group”	the Company and its subsidiaries;
“Guarantor”	Mr. Wu Qiaofeng, who is the ultimate controlling shareholder of the Target Companies and is deemed to be interested in 100% of the entire existing issued share capital of the Target Companies;

“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)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules;
“Interim Report”	the interim report of the Company dated 25 August 2016;
“Issue of New Shares under Specific Mandate”	issue of 2,000,000,000 new Shares at the price of HK\$0.18 per Share under specific mandate granted to the Directors at the special general meeting held on 18 January 2016;
“Licences”	all licences, permits, authorisations, consent and approvals required to be obtained and maintained by the Target Companies as at the date of the Agreement in order to carry on the Business including without limitation the licences granted by the SFC to the Target Companies;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	the expiry date which is 9 months after the date of the Agreement, or a later date as otherwise agreed by the parties to the Agreement;

“Management Accounts NAV”	consolidated net assets value of the Target Companies as per the unaudited consolidated management accounts of the Target Companies as at the date which is three Business Days before the Completion Date;
“Pets Best”	Pets Best Japan Co., Ltd, a company incorporated in Japan with limited liability, which is principally engaged in provision of pets insurance services in Japan;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Purchaser”	China Best Financial Holdings Limited;
“Sale Shares”	100% equity interest in each of the Target Companies;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary(ies)”	shall have the meaning ascribed to that term in the Listing Rules;

“Target Companies”	comprising Zhongrong International Securities Company Limited (“ZR Securities”), Zhongrong International Futures Co., Limited (“ZR Futures”), Zhongrong International Investment Consulting Company Limited (“ZR Investment”), Zhongrong International Asset Management Company Limited (“ZR Asset Management”) and Zhongrong International Corporate Finance Limited (“ZR Corporate Finance”) (each, a “Target Company”);
“Tentative Consideration”	as defined in section “Calculation of Considerations”;
“Vendor”	ZR International Holding Company Limited;
“Warrantors”	as defined in section “Guarantor’s Obligations under the Agreement”.

By Order of the Board
China Best Group Holding Limited
Mr. Li Yang
Deputy Chairman

Hong Kong, 24 January 2017

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Tan Xiangdong, Mr. Li Yang, Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, and three independent non-executive Directors, namely, Mr. Liu Haiping, Mr. Liu Tonghui and Mr. Ru Xiangnan.