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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)

**SUPPLEMENTAL ANNOUNCEMENT
EXTENSION OF MATURITY DATE OF PROMISSORY NOTE
IN RELATION TO DISCLOSEABLE TRANSACTION**

References are made to the announcements of China Best Group Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 13 March 2017, 20 March 2018, 20 March 2019, 20 March 2020 and 18 June 2021 (the “**Prior Announcements**”) and the Company’s announcement dated 27 May 2022 (the “**Announcement**”) in relation to the disposal by the Group of its 49% interest in East Favor Global Investment Limited and extension of maturity date of the Promissory Note. Capitalised terms used but not otherwise defined herein shall have the same meanings as that ascribed to them in the Prior Announcements and the Announcement.

As disclosed in the Announcement, on 27 May 2022, the Purchaser, the Vendor and the Guarantor entered into the Fifth Supplemental Deed whereby (i) the parties agreed to further extend the maturity date of the Promissory Note, that is, the total of remaining principal amount of the Promissory Note of HK\$74,000,000 and the accrued interests thereon, by one (1) year, from 20 March 2022 to 20 March 2023 (the “**Fifth Extension**”); and (ii) the Vendor agreed to waive default interests which were resulted from the Purchaser’s default on payment on 20 March 2022 (the “**Waiver of Defaulted Interests**”).

The Board would like to provide further information in relation to the background of, the main reasons for, and the detailed basis of the Fifth Extension and the Waiver of Defaulted Interests.

* *For identification purpose only*

The Purchaser informed the Company that the failure of timely payment of the principal and the accrued interests of the Promissory Note on 20 March 2022 was caused by the deterioration of the pandemic situation in Hong Kong and the PRC. It affected the approval process of financings of financial institutions and the transactions of the realization of the investment projects intended by the Purchaser and the Guarantor for such repayment (the “**Proposed Repayment Funding Arrangements**”), leading to short-term cash flow issue of the Purchaser and the Guarantor.

In light of the above, with reference to the revised expected cash flow under the Proposed Repayment Funding Arrangements, the Purchaser and the Guarantor proposed the following repayment schedule (the “**Repayment Schedule**”):

Date	Repayment of principal (HK\$)	Payment of accrued interests (HK\$)	Total amount (HK\$)
30 September 2022	24,000,000	765,370	24,765,370
30 December 2022	20,000,000	940,274	20,940,274
20 March 2023	30,000,000	1,800,000	31,800,000
Total	74,000,000	3,505,644	77,505,644

The Company has taken due diligence steps to verify the validity and feasibility of the Proposed Repayment Funding Arrangements, including (i) interviewing the relevant counterparties, (ii) inspecting the fixed assets of the Guarantor, (iii) obtaining additional undertaking in respect of the repayment of the Promissory Note, and (iv) reviewing the corporate documents of the relevant entities.

The Company has assessed and analyzed (i) the repayment willingness evidenced by a track record of full payment of approximately HK\$27 million of the accumulated interests and partial payment of HK\$16 million of the principal under the Promissory Note before the Vendor entering into the Fifth Supplemental Deed, (ii) the Proposed Repayment Funding Arrangements, and (iii) the repayment ability of the Purchaser and the Guarantor, and has grounds to believe that the Proposed Repayment Funding Arrangements are credible and feasible.

The Company has also strengthened the supervision and risk control measures required for the Purchaser and the Guarantor to comply with until the full repayment of the Promissory Note by taking following actions (the “**Proposed Actions**”):

(I) in relation to the Purchaser

- (i) the Company shall regularly follow up with the Purchaser by phone or email to understand its status, and economic and asset conditions, and make corresponding assessment. The Purchaser shall provide financial statements, bank statements and other information on a regular basis;
- (ii) the Purchaser shall notify the Company within three days of the occurrence of major events such as capital changes, incurring capital expenditures of more than HK\$3 million and signing of any contract of consideration of more than HK\$3 million; and
- (iii) the Purchaser shall confirm details of the funding arrangement three weeks prior to the early redemption date stated in the Repayment Schedule;

(II) in relation to the Guarantor

- (iv) the Guarantor shall strictly implement the planned financings and transactions to restore the cash flow shortfall of the Purchaser, and notify the Company within three days before any important milestones;
- (v) the Guarantor shall transfer the funds from the planned financings and transactions to designated account for early redemption of the Promissory Note as soon as he receives such funds; and
- (vi) the Company shall maintain good communication with the Guarantor every month, regularly assign staff to the Guarantor’s office or residential address to understand and analyse the financial conditions of the Guarantor, discuss and update the Repayment Schedule with the Guarantor, and gradually recover the outstanding principal.

The Proposed Actions are appropriate and feasible to the extent that the Company could ensure the timely repayment of the outstanding sum by the Purchaser because the Proposed Actions ensure that the Company can:

- (i) keep track of the financial status and financial capability of the Purchaser and the Guarantor so that the Company can make appropriate risk assessment from time to time;
- (ii) stay alert of any material adverse change on the financial capability of the Purchaser so that the Company can take necessary remedial actions promptly. The threshold was set at HK\$3 million, representing no more than 5% of the outstanding principal amount;
- (iii) keep track of the improvements of the short-term liquidity of the Guarantor so that the Company can make sure the funds for repayment of the Promissory Note as soon as the funds from the Proposed Repayment Funding Arrangements reach the designated account for early redemption of the Promissory Note; and
- (iv) take early precautionary measures to preserve the rights of the Company should the Purchaser and the Guarantor inform the Company of any issue with the Proposed Repayment Funding Arrangements three weeks prior to the early redemption date stated in the Repayment Schedule.

The Directors considered that the Fifth Extension and the Waiver of Defaulted Interests did not have material adverse impact on the cash flow and financial position of the Group as a whole. In particular, the Group will receive additional interest income resulting from the Fifth Extension which can almost offset the defaulted interests being waived.

In view of the reasons, basis and factors stated above, the Directors considered that the Fifth Extension (which includes the Waiver of Defaulted Interests) is in the best interests of the Company and the Shareholders as a whole given that (i) the Company has juggled the costs and benefits of the Fifth Extension (which includes the Waiver of Defaulted Interests) and legal enforcements against the Purchaser and the Guarantor (including the enforcement of the Share Charge) after consultation with the legal advisers, (ii) the terms of the Fifth Supplemental Deed are fair and reasonable and are in the interest of the Company and the Shareholders as a whole, and (iii) the remaining principal amount of the Promissory Note of HK\$74 million and the accrued interests thereon can be fully received by the maturity of the Fifth Extension on 20 March 2023.

By Order of the Board
China Best Group Holding Limited
Mr. Qin Jie
Executive Director and Chief Executive Officer

Hong Kong, 29 June 2022

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. Ru Xiangan, Mr. Liu Tonghui and Ms. Yin Meiqun.