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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the “Board”) of China Best Group Holding Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Turnover	3	<u>190,184</u>	<u>151,353</u>
Revenue	4	47,739	102,941
Cost of sales		<u>(59,986)</u>	<u>(71,897)</u>
Gross (loss) profit		(12,247)	31,044
Other income	5	6,316	2,854
Selling and distribution expenses		(3,429)	(729)
Administrative and other expenses		(21,917)	(16,063)
Impairment loss on goodwill		(36,729)	–
Impairment loss on property, plant and equipment		(24,642)	–
Impairment loss on trade receivables		(2,200)	–
Fair value change on investment property		–	1,080
Realised loss on held for trading investments		(332)	(4,416)
Fair value change on held for trading investments		(5,554)	(2,233)
Finance costs	6	<u>(2,592)</u>	<u>(2,376)</u>

* For identification purpose only

	NOTES	2013 HK\$'000	2012 HK\$'000
(Loss) profit before tax	7	(103,326)	9,161
Income tax credit (expense)	8	<u>2,999</u>	<u>(6,604)</u>
(Loss) profit for the year		(100,327)	2,557
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<u>3,326</u>	<u>684</u>
Total comprehensive (expense) income for the year		<u>(97,001)</u>	<u>3,241</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(76,162)	(2,932)
Non-controlling interests		<u>(24,165)</u>	<u>5,489</u>
		<u>(100,327)</u>	<u>2,557</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(74,360)	(2,472)
Non-controlling interests		<u>(22,641)</u>	<u>5,713</u>
		<u>(97,001)</u>	<u>3,241</u>
Loss per share	9		
– Basic (HK cents)		<u>3.13 cents</u>	<u>0.12 cents</u>
– Diluted (HK cents)		<u>3.13 cents</u>	<u>0.12 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>NOTES</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		23,803	52,204
Prepaid lease payment		12,536	178
Investment property		–	–
Available-for-sale investments		7,500	7,500
Goodwill		–	36,729
		43,839	96,611
Current assets			
Prepaid lease payment		282	24
Inventories		15,002	21,439
Trade and other receivables	<i>10</i>	94,627	69,074
Held for trading investments		22,994	21,272
Pledged bank deposit		61	61
Bank balances and cash		169,953	236,284
		302,919	348,154
Investment property classified as held for sale		–	3,000
		302,919	351,154
Current liabilities			
Trade and other payables	<i>11</i>	34,502	36,992
Loan from a non-controlling interest of a subsidiary		41,189	38,637
Tax liabilities		11,252	13,168
		86,943	88,797
Net current assets		215,976	262,357
Total assets less current liabilities		259,815	358,968
Capital and Reserves			
Share capital		121,584	121,584
Reserves		147,781	222,141
Equity attributable to owners of the Company		269,365	343,725
Non-controlling interests		(9,550)	13,091
		259,815	356,816
Non-current liability			
Deferred tax liabilities		–	2,152
		259,815	358,968

Notes:

1. BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ²
HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 14	Regulatory Deferral Accounts ⁴
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)–Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3. TURNOVER

Turnover represents the amounts received and receivable from manufacture and sales of coal, provision of international air and sea freight forwarding services, dividend income and gross proceeds from disposal of held for trading investments during the year.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Manufacture and sales of coal	40,620	95,036
Provision of international air and sea freight forwarding services	6,745	6,372
Dividend income from held for trading investments	374	1,533
Gross proceeds from disposal of held for trading investments	142,445	48,412
	<u>190,184</u>	<u>151,353</u>

4. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Manufacture and sales of coal <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2013				
Turnover	<u>6,745</u>	<u>142,819</u>	<u>40,620</u>	<u>190,184</u>
Revenue				
External	<u>6,745</u>	<u>374</u>	<u>40,620</u>	<u>47,739</u>
Segment results	<u>3,262</u>	<u>(5,512)</u>	<u>(89,531)</u>	<u>(91,781)</u>
Unallocated corporate expenses				(12,085)
Unallocated other income				3,132
Finance costs				<u>(2,592)</u>
Loss before tax				<u>(103,326)</u>

	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Manufacture and sales of coal <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2012				
Turnover	<u>6,372</u>	<u>49,945</u>	<u>95,036</u>	<u>151,353</u>
Revenue				
External	<u>6,372</u>	<u>1,533</u>	<u>95,036</u>	<u>102,941</u>
Segment results	<u>(82)</u>	<u>(5,116)</u>	<u>26,443</u>	21,245
Unallocated corporate expenses				(13,613)
Unallocated other income				3,905
Finance costs				<u>(2,376)</u>
Profit before tax				<u>9,161</u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Manufacture and sales of coal <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2013				
ASSETS				
Segment assets	<u>1,037</u>	<u>22,994</u>	<u>93,582</u>	117,613
Unallocated corporate assets				<u>229,145</u>
Total assets				<u>346,758</u>
LIABILITIES				
Segment liabilities	<u>2,037</u>	<u>–</u>	<u>23,600</u>	25,637
Unallocated corporate liabilities				<u>61,306</u>
Total liabilities				<u>86,943</u>

	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Manufacture and sales of coal <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2012				
ASSETS				
Segment assets	<u>800</u>	<u>21,272</u>	<u>176,657</u>	198,729
Unallocated corporate assets				<u>249,036</u>
Total assets				<u>447,765</u>
LIABILITIES				
Segment liabilities	<u>1,305</u>	<u>–</u>	<u>13,072</u>	14,377
Unallocated corporate liabilities				<u>76,572</u>
Total liabilities				<u>90,949</u>

5. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade and other payable written back	3,137	–
Interest income	1,314	2,336
Net exchange gain	1,775	502
Government grants (<i>Note</i>)	47	9
Sundry income	<u>43</u>	<u>7</u>
	<u>6,316</u>	<u>2,854</u>

Note: During the year ended 31 December 2013, a government grant of approximately HK\$47,000 (2012: HK\$9,000) was granted to the Group in relation to the job credit scheme in Singapore on the condition that the Group has made CPF contributions in Singapore during the year.

6. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interests on:		
– loan from a related company	–	262
– loan from a non-controlling interest of a subsidiary	2,552	2,052
– others	<u>40</u>	<u>62</u>
	<u>2,592</u>	<u>2,376</u>

7. (LOSS) PROFIT BEFORE TAX

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(Loss) Profit before tax has been arrived at after charging:		
Staff costs		
– directors' emoluments	1,645	1,564
– other staff costs	5,588	4,843
– retirement benefits scheme contributions, excluding directors	175	138
	<u>7,408</u>	<u>6,545</u>
Total staff costs		
	<u>7,408</u>	<u>6,545</u>
Auditor's remuneration	1,157	1,050
Depreciation of property, plant and equipment	6,743	6,347
Amortisation of prepaid lease payment	213	24
Compensation paid for cancellation of a sale agreement (included in administrative and other expenses)	2,297	–
Written off of property, plant and equipment	–	111
Cost of inventories recognised as expenses	51,609	65,459
Allowance for inventories (included in cost of sales)	4,074	1,678
Minimum lease payments under operating lease charges	1,939	1,772
	<u>1,939</u>	<u>1,772</u>

8. INCOME TAX CREDIT (EXPENSE)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	–	(6,855)
	<u>–</u>	<u>(6,855)</u>
Over (under) provision in previous periods:		
Hong Kong Profits Tax	993	–
PRC Enterprise Income Tax	(146)	–
	<u>847</u>	<u>–</u>
Deferred taxation	2,152	251
	<u>2,152</u>	<u>251</u>
	<u>2,999</u>	<u>(6,604)</u>

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits for the years ended 31 December 2013 and 2012.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$76,162,000 (2012: approximately HK\$2,932,000) and on the weighted average number of 2,431,670,845 (2012: 2,431,670,845) ordinary shares in issue during the year.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options is higher than the average market price for shares for the years ended 31 December 2013 and 2012.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period normally ranging from 30 days to 180 days (2012: 30 days to 120 days) to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debt) presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date. The Group does not hold any collateral over these balances.

	2013 HK\$'000	2012 HK\$'000
0 – 30 days	686	2,868
31 – 60 days	134	186
61 – 90 days	4,021	13
91 – 120 days	954	43,805
121 – 180 days	1,445	6,081
Over 180 days	22,305	4,749
	<hr/>	<hr/>
Trade receivables	29,545	57,702
Bills receivables	12,888	2,455
Deposits, prepayments and other receivables	52,194	8,917
	<hr/>	<hr/>
	94,627	69,074
	<hr/>	<hr/>

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 HK\$'000	2012 HK\$'000
0 – 30 days	593	716
31 – 60 days	59	–
61 – 90 days	112	9
Over 90 days	13,443	4,736
	<hr/>	<hr/>
Trade payables	14,207	5,461
Accrued charges and other payables	20,295	31,531
	<hr/>	<hr/>
	34,502	36,992
	<hr/>	<hr/>

12. CONTINGENCY

On 17 April 2013, the Company, as one of the respondents, and certain of its former directors were served a petition (the “Petition”) by the Securities and Futures Commission in relation to certain past transactions of the Group. The hearing for preliminary directions relating to the Petition was heard in the High Court on 31 July 2013. A second hearing for further directions will be heard at the High Court upon compliance of the order in the previous hearing. Based on the opinion of the independent legal adviser of the Company, the directors of the Company consider that the Petition does not have significant financial and operating impact on the Group.

Details of the Petition are set out in the announcements of the Company dated 18 April 2013 and 31 July 2013.

13. EVENTS AFTER THE REPORTING PERIOD

On 16 August 2013, the Company entered into an acquisition agreement with Rich Planet Investments Limited, Noble Justice Holdings Limited and Evergreen Lake International Limited (collectively the “Vendors”), independent third parties of the Group, pursuant to which, the Company conditionally agreed to purchase the entire issued share capital of Lead Best Asia Company Limited (the “Proposed Acquisition”) at a consideration of HK\$1,020,000,000, which will be satisfied by cash, convertible bonds, promissory notes and ordinary shares of the Company.

However, on 24 January 2014, the Company and the Vendors entered into a termination agreement to terminate the Proposed Acquisition (the “Termination Agreement”). All deposits paid by the Company to the Vendors were returned to the Company in accordance with the Termination Agreement. Thereafter, none of the parties shall have any claim or demand against other parties or in respect of the Proposed Acquisition.

Details of the Proposed Acquisition and the Termination Agreement are set out in the announcements of the Company dated 13 June 2013, 9 August 2013, 16 August 2013, 30 August 2013, 13 January 2014, 21 January 2014 and 24 January 2014.

14. COMPARATIVE

Certain comparative figures have been reclassified to conform to the presentation of the current year and such reclassification has no impact on the Group’s result for the year ended 31 December 2012. In particular, for the purpose of better representation of the Group’s activities, pledged bank deposit of approximately HK\$61,000, which had previously been recorded under “Bank balances and cash” in the consolidated financial statements for the year ended 31 December 2012, was recorded under “Pledged bank deposit”.

Comparatives have been restated to conform to the presentation of the current year. However, the changes to the comparatives have not affected the consolidated statement of financial position at 1 January 2012 and accordingly the consolidated statement of financial position as at 1 January 2012 is not presented.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	2013	2012	Increase/(Decrease)	
	HK\$'M	HK\$'M	2013 Vs 2012	
			HK\$'M	%
Financial Results Highlight				
Turnover	190.2	151.4	38.8	26%
Gross (loss) profit	(12.2)	31.0	(43.2)	(139%)
Other operating loss (net)	(63.1)	(2.7)	60.4	2,237%
Total expenses	(27.9)	(19.2)	8.7	45%
Net (loss) profit before tax & non-controlling interests	(103.3)	9.2	(112.5)	(1,223%)
Net loss after tax & non-controlling interests	(76.2)	(2.9)	73.3	2,528%
Extract of Financial Position				
Total assets	346.8	447.8	(101)	(23%)
Total liabilities	(86.9)	(90.9)	(4)	(4%)
Net current assets	216.0	262.4	(46.4)	(18%)
Bank balances and cash	170.0	236.3	(66.3)	(28%)
Total net assets	259.8	356.8	(97)	(27%)

OVERVIEW

For the year ended 31 December 2013, the Group's turnover was approximately HK\$190.2 million, representing an increase of 26% as compared with approximately HK\$151.4 million in last year. The Group recorded a gross loss of approximately HK\$12.2 million for the year ended 31 December 2013, as compared with a gross profit of approximately HK\$31.0 million in the previous year. Finally, the net loss for the year attributable to equity shareholders of the Company reached approximately HK\$76.2 million, representing an increase of 2,528% as compared with the net loss of approximately HK\$2.9 million in the previous year. Such significant increase is principally due to the deteriorated result of the Group's coal business which also led to impairment loss of and provision on certain coal business related assets of the Group, including impairment loss on goodwill of approximately HK\$36.7 million and on property, plant and equipment of approximately HK\$24.6 million.

BUSINESS AND FINANCIAL REVIEW

Coal Business

For the year ended 31 December 2013, the turnover of the Group's coal business amounted to approximately HK\$40.6 million (2012: approximately HK\$95.0 million). Due to the continuous decline in the price of and the demand for coal products in the PRC market in 2013, the Group recorded a gross loss of approximately HK\$14.4 million in this core business for the year ended 31 December 2013 (2012: gross profit of approximately HK\$27.9 million). Coupled with impairment loss of and provision on certain coal business related assets of the Group, this business segment incurred a loss of approximately HK\$89.5 million for the year ended 31 December 2013 (2012: segment profit of approximately HK\$26.4 million).

Freight forwarding Business

For the year ended 31 December 2013, the turnover of the Group's freight forwarding business amounted to approximately HK\$6.7 million (2012: approximately HK\$6.4 million). Gross profit of approximately HK\$1.8 million and segment profit of approximately HK\$3.3 million were made for the year ended 31 December 2013 (2012: gross profit of approximately HK\$1.6 million and segment loss of approximately HK\$82,000). There was no significant change in the Group's strategy and plan regarding its freight forwarding business. The substantial increase in the segment profit is mainly attributable to the write-back of certain long outstanding payables.

Securities Investment Business

For the year ended 31 December 2013, the turnover of the Group's securities investment business amounted to approximately HK\$142.8 million (2012: approximately HK\$50.0 million). During the year, the Group recorded a realised loss of approximately HK\$0.3 million (2012: approximately HK\$4.4 million) and a net unrealised loss of the listed securities of approximately HK\$5.6 million (2012: approximately HK\$2.2 million). For the year ended 31 December 2013, the Group received dividend income of approximately HK\$0.4 million (2012: approximately HK\$1.5 million). As at 31 December 2013, the Group was holding trading securities of approximately HK\$23.0 million in value (2012: approximately HK\$21.3 million).

LIQUIDITY AND CASHFLOW RESOURCES

As at 31 December 2013, the equity and net current assets of the Group amounted to approximately HK\$259.8 million (2012: approximately HK\$356.8 million) and HK\$216.0 million (2012: approximately HK\$262.4 million) respectively. On the same date, the Group had bank balances and cash of approximately HK\$170.0 million (2012: approximately HK\$236.3 million) and the current ratio was 3.48 (2012: 3.9).

As at 31 December 2013, the gearing ratio of the Group was 0.11 (2012: 0.08). The gearing ratio is measured on the basis of interest bearing borrowings over total assets. As at 31 December 2013, the interest bearing borrowings and total assets of the Group amounted to approximately HK\$36.5 million (2012: approximately HK\$36.5 million) and approximately HK\$346.8 million (2012: approximately HK\$447.8 million) respectively.

The Group maintained a strong cash position. The Group has sufficient and readily available financial resources for both general working capital purposes and any feasible acquisition of potential investments in the PRC which it may encounter or contemplate in the future.

PLEDGE OF ASSETS

As at 31 December 2013 and 2012, none of the Group's securities was pledged to brokers to secure the margin loan. As at 31 December 2013 and 2012, there were no other significant assets pledged to banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2013 and 2012, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE

During the year, the Group incurred approximately HK\$13.3 million as capital expenditure mainly in respect of an acquisition of a land use right classified under prepaid lease payment which was funded by the Group's internal resources (2012: approximately HK\$4.1 million).

CAPITAL COMMITMENTS

As at 31 December 2013, the Group had capital commitments of approximately HK\$970 million contracted but not provided mainly in relation to a proposed acquisition of controlling interests in two gold mines. However, such contract was terminated on 24 January 2014. Details in relation to the said proposed acquisition are set out under the section “Events After the Reporting Period” and “Material Acquisition and Disposal”.

As at 31 December 2012, there was no material capital expenditure contracted for but not provided in the consolidated financial statements.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2013, the Group held available-for-sale investments of HK\$7.5 million (2012: HK\$7.5 million) and held for trading investments of approximately HK\$23.0 million (2012: approximately HK\$21.3 million).

MATERIAL ACQUISITION AND DISPOSAL

- (a) On 10 December 2012, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property at a cash consideration of HK\$3 million. Accordingly, the investment property of HK\$3 million was reclassified to investment property classified as held for sale in the consolidated statement of financial position as at 31 December 2012. The aforesaid disposal was completed on 28 February 2013.
- (b) On 31 January 2013, Jet-Air (H.K.) Limited (“Jet-Air”), a wholly owned subsidiary of the Company, entered into a placing letter with KCG Securities Asia Limited (the “Placing Agent”) to subscribe for the convertible bonds and the promissory notes issued by North Asia Resources Holdings Limited (Stock Code: 61), a company listed on the Main Board of the Stock Exchange, each in a principal amount of US\$7 million (equivalent to approximately HK\$54.6 million) respectively at their face values, which consideration was to be satisfied by cash. The aforesaid placing letter was terminated on 11 June 2013 by mutual agreement between Jet-Air and the Placing Agent. Details of the said subscription and reasons for termination are set out in the Company’s announcements dated 5 February 2013, 22 March 2013 and 13 June 2013.
- (c) On 10 April 2013, Gujiao City Hongxiang Coal Industry Co. Ltd., a non-wholly owned subsidiary of the Company, entered into the Contract for Grant of State-owned Construction Land Use Right with the Land Resources Bureau of Gujiao City to acquire the land use right of land parcel 11026, which has a site area of 49,661.56 square meters and is located at Yongshuqu Village, Xiqu Street, Gujiao City, Shanxi Province, the PRC at a price of RMB9.4 million (equivalent to approximately HK\$11.8 million). Details of the aforesaid acquisition are set out in the Company’s announcement dated 22 April 2013.

- (d) On 6 August 2013, the Company entered into an acquisition agreement with certain independent third party vendors (the “Vendors”), pursuant to which the Company conditionally agreed to purchase equity interests for acquiring controlling interests in two gold mines situated in Shandong Province in the PRC by way of equity transfer (the “Proposed Acquisition”). On 24 January 2014, the Company and the Vendors entered into a termination agreement to terminate the Proposed Acquisition. Details of the Proposed Acquisition and reasons for the termination are set out in the Company’s announcements dated 13 June 2013, 9 August 2013, 16 August 2013, 30 August 2013, 13 January 2014, 21 January 2014 and 24 January 2014.

Save as disclosed above, there was no other material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the year ended 31 December 2013.

During the year ended 31 December 2012, there was no material acquisition and disposal made by the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group’s monetary assets, loans and transactions are principally denominated in Hong Kong dollars, Renminbi, Singapore dollars, and US dollars. During the year, there was no significant fluctuation in the exchange rates of Hong Kong dollars, Singapore dollars and US dollars. The appreciation in the currency value of the Renminbi may have some impact especially with respect to the Group’s operations in the PRC. The monetary assets of the Group in US dollars are also subject to the risk of exchange rate fluctuation. The Group will take a prudent approach against this impact but currently is not engaged in any derivative activities and not committed to any financial instruments to hedge its balance sheet exposure.

EMPLOYEE AND HUMAN RESOURCES POLICY

As at 31 December 2013, the Group had approximately 34 staff (2012: approximately 92 staff). The total staff cost incurred for the year ended 31 December 2013 was approximately HK\$7.4 million (2012: approximately HK\$6.5 million). The remuneration of employees was determined with reference to the market circumstances, the Group’s performance as well as individual qualification and experience. In accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the staff of the Company’s accounting and financial reporting function have adequate training programs and budget.

Pursuant to a share option scheme adopted on 22 May 2012 (the “2012 Share Option Scheme”), the Board may grant options to directors (including non-executive directors and independent non-executive directors), employees of the Company and any of its subsidiaries or associated companies, to subscribe for shares of the Company. During the year, no options were granted under the 2012 Share Option Scheme.

BUSINESS PROSPECT

The Group is principally engaged in manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities.

In respect of the coal business, after the continued decline in the price of and demand for coal products in the PRC market in the last few years, the Board expects that the coal enterprises will continue to face severe and challenging market conditions in 2014. As such, the Group will keep on taking various measures to control costs and operation risks.

In respect of the freight forwarding business, the Board remains unenthusiastic about the prospect of this business sector and will not reformulate the Group’s current strategy.

In respect of the securities investment business, the Board will adopt comparatively cautious strategy to control investment risks.

Leveraging its experience and network in the PRC, the Group will continue to explore investment opportunities mainly for business development in the PRC. The Board is convinced that it is the fundamental basis on which the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company. The Board will closely monitor the business environment with the aim to maximise the returns of the shareholders of the Company.

FINAL DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 December 2013 (2012: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2013 (2012: Nil).

REVIEW OF FINANCIAL INFORMATION

The Board has established an audit committee (the "Audit Committee") in accordance with the Listing Rules. The Audit Committee comprises three independent non-executive directors, namely, Mr. Zhou Mingchi, Ms. Wong Yan Ki, Angel, and Mr. Zhang Liang. A summary of duties and works of the Audit Committee is set out in the "Corporate Governance Report" in the 2013 annual report which will be despatched to the shareholders in due course.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the results of the Group for the year ended 31 December 2013.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in this announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Board, save as disclosed below, none of the directors of the Company is aware of any information that would reasonably indicate that the Company was not in compliance with the Corporate Governance Code (the “CG Code”) during the year as set out in Appendix 14 of the Listing Rules.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Huang is the chairman of the Board. The Company has no such title as the chief executive currently. Given the current size and structure of the Company, the Board is of the view that though there is no chief executive, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals, and meetings between the directors and the management are held from time to time to discuss issues relating to the operation of the Company. All directors are properly briefed on the matters arising at the Board meetings with adequate, complete and reliable information received in a timely manner. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Although the responsibilities of the chairman are not set out in writing, powers and authority are not concentrated in one individual and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as senior management. The Board will consider setting out in writing the roles and duties of the chairman in due course. Going forward, the Board will periodically review the effectiveness of this arrangement, the board composition as well as the division of responsibilities in order to best serve the interests of the Company and its shareholders as a whole.

Under Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. All of the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation once every three years and eligible for re-election at the annual general meeting under the Company’s Bye-laws.

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to their various work commitments, one executive director and all independent non-executive directors of the Company were unable to attend the annual general meeting held on 20 May 2013; and one executive director and two independent non-executive directors of the Company were unable to attend the special general meeting held on 22 April 2013.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining the Group's internal control system to safeguard shareholders' investment and for reviewing the effectiveness of such on an annual basis under Code Provision C.2.1.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014 (both days inclusive), during which time no transfer of shares will be registered. In order to qualify to be shareholders of the Company to attend, act and vote at the annual general meeting to be held on 30 May 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 27 May 2014.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 December 2013 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cbgroup.com.hk>) respectively. The 2013 annual report and notice of annual general meeting of the Company will be despatched to the shareholders and made available on the above websites in due course.

By Order of the Board
China Best Group Holding Limited
Huang Boqi
Chairman

Hong Kong, 27 March 2014

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Huang Boqi and Mr. Du Chunyu and three independent non-executive directors, namely Mr. Zhou Mingchi, Ms. Wong Yan Ki, Angel and Mr. Zhang Liang.