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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 2019

The board (the “Board”) of directors (the “Directors”) 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 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Turnover	3	<u>362,331</u>	<u>218,007</u>
Revenue:	4		
– Trading of goods		308,860	159,261
– Provision of international air and sea freight forwarding services		3,464	5,198
– Consultancy income from finance leases		8,668	15,052
– Interest income from finance leases		1,327	12,929
– Interest income from money lending		29,748	24,043
– Brokerage commission and dealing income		438	1,524
– Property brokerage commission income		<u>9,826</u>	<u>–</u>
		<u>362,331</u>	<u>218,007</u>

* For identification purpose only

		2019	2018
	NOTES	HK\$'000	HK\$'000
Operating costs:			
– Cost of trading goods sold		(302,968)	(156,448)
– Cost of providing international air and sea freight forwarding services		(2,457)	(3,587)
– Cost of providing brokerage and dealing services		(315)	(1,044)
– Cost of providing property brokerage services		<u>(3,962)</u>	<u>–</u>
		<u>(309,702)</u>	<u>(161,079)</u>
Other income	6	11,290	6,199
Administrative and other expenses		(49,014)	(45,643)
Staff costs		(51,588)	(35,591)
Finance costs		(3,806)	–
Unrealised loss on fair value change on investment properties		(16,086)	–
Unrealised loss on fair value change on financial assets at fair value through profit or loss		(2,466)	(13,377)
Share of profit of associates		3,152	–
Impairment loss on right-of-use assets		(4,127)	–
Impairment loss on loan and interest receivables		(43,466)	–
Impairment loss on finance lease receivable		–	(13,595)
Impairment loss on goodwill		<u>–</u>	<u>(28,982)</u>
Loss before tax		(103,482)	(74,061)
Income tax expense	8	<u>(2,614)</u>	<u>(1,488)</u>
Loss for the year	7	<u><u>(106,096)</u></u>	<u><u>(75,549)</u></u>

	2019	2018
NOTES	HK\$'000	HK\$'000
Other comprehensive expenses		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(10,471)	(20,935)
Share of other comprehensive income of associates	(73)	–
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value loss on financial assets at fair value through other comprehensive income	(937)	(14,655)
	<u>(11,481)</u>	<u>(35,590)</u>
Total comprehensive expenses for the year	<u>(117,577)</u>	<u>(111,139)</u>
Loss for the year attributable to:		
– owners of the Company	(106,067)	(75,533)
– non-controlling interests	(29)	(16)
	<u>(106,096)</u>	<u>(75,549)</u>
Total comprehensive expenses for the year attributable to:		
– owners of the Company	(117,548)	(111,122)
– non-controlling interests	(29)	(17)
	<u>(117,577)</u>	<u>(111,139)</u>
Loss per share		
– Basic and diluted (<i>HK cents</i>)	<u>(2.09)</u>	<u>(1.80)</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment		2,603	4,982
Right-of-use assets		24,164	–
Investment properties		111,477	–
Goodwill		64,662	42,600
Intangible asset		811	811
Interests in associates		47,329	–
Financial assets at fair value through other comprehensive income		11,230	16,167
Finance lease receivables	11	4,215	–
Loans receivables	13	105,369	55,000
Other loans receivables		73,575	–
Deposit for acquisition of a subsidiary		30,000	67,000
Regulatory deposits		1,705	1,705
Deferred tax assets		8,497	8,676
		<u>485,637</u>	<u>196,941</u>
Current assets			
Finance lease receivables	11	15,288	178,785
Loans and interest receivables	13	316,585	350,522
Other loans interest receivables		5,931	–
Trade and other receivables	12	177,181	185,632
Promissory note receivable		90,000	90,000
Financial assets at fair value through profit or loss		1,287	3,003
Pledged bank deposit		58	58
Bank balances and cash			
– trust and segregated accounts		3,285	8,435
Bank balances and cash			
– general accounts		97,451	274,763
		<u>707,066</u>	<u>1,091,198</u>

		2019	2018
	NOTES	HK\$'000	HK\$'000
Current liabilities			
Trade and other payables	14	29,561	43,902
Lease liabilities		23,848	–
Amounts due to an associate		6,521	–
Tax liabilities		9,750	9,119
		<u>69,680</u>	<u>53,021</u>
Net current assets		<u>637,386</u>	<u>1,038,177</u>
Total assets less current liabilities		<u>1,123,023</u>	<u>1,235,118</u>
Non-current liabilities			
Lease liabilities		5,482	–
NET ASSETS		<u>1,117,541</u>	<u>1,235,118</u>
Capital and Reserves			
Share capital		508,428	508,428
Share premium and reserves		609,200	726,748
		<u>1,117,628</u>	<u>1,235,176</u>
Equity attributable to owners of the Company			
Non-controlling interests		(87)	(58)
TOTAL EQUITY		<u>1,117,541</u>	<u>1,235,118</u>

Notes:

1. BASIS OF PRESENTATION

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS(s)”), amendments and Interpretations.

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 except as stated below.

HKFRS 16 “Leases”

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases”.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening balance sheet on 1 January 2019 as follows:

	1 January 2019 HK\$’000
Increase in right-of-use assets	29,001
Increase in lease liabilities	(29,001)
	<u><u> </u></u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out as below:

	HK\$'000
Operating lease commitment as at 31 December 2018	34,447
Less:	
Commitments relating to leases with remaining term ended on or before 31 December 2019	(1,882)
Discounting	(3,564)
Lease liabilities as at 1 January 2019	29,001

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER

Turnover arises from (i) trading on radio system and electronic appliance; (ii) provision of international air and sea freight forwarding services; (iii) consultancy income in respect of finance leases; (iv) interest income from finance leases; (v) interest income from money lending; (vi) brokerage commission and dealing income from securities and futures brokerage business; and (vii) property brokerage commission income from property brokerage business. An analysis of the Group's turnover for the year is as follows:

	2019	2018
	HK\$'000	HK\$'000
Trading of goods	308,860	159,261
Provision of international air and sea freight forwarding services	3,464	5,198
Consultancy income from finance leases (<i>Note</i>)	8,668	15,052
Interest income from finance leases (<i>Note</i>)	1,327	12,929
Interest income from money lending	29,748	24,043
Brokerage commission and dealing income	438	1,524
Property brokerage commission income	9,826	—
	362,331	218,007

Note: Pursuant to a debt settlement agreement and a loan agreement both dated 1 March 2019, finance lease interest of approximately RMB441,000 (equivalent to approximately HK\$521,000) and consultancy income of approximately RMB16,323,000 (equivalent to approximately HK\$19,291,000) have been agreed by the parties to be waived. According to these waived amounts, the Group's interest income from finance leases and consultancy income from finance leases had been deducted by approximately RMB38,000 (after value-added tax) (equivalent to approximately HK\$44,000) and approximately RMB1,390,000 (after value-added tax) (equivalent to approximately HK\$1,642,000) respectively for the year ended 31 December 2019 (2018: approximately RMB379,000 (after value-added tax) (equivalent to approximately HK\$447,000) and approximately RMB14,009,000 (after value-added tax) (equivalent to approximately HK\$16,557,000)) respectively. Further details are set out in the Company's announcement dated 1 March 2019.

4. REVENUE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers (<i>Note</i>)	331,256	181,035
Revenue from other source:		
– Interest income from finance leases	1,327	12,929
– Interest income from money lending	29,748	24,043
	<u>362,331</u>	<u>218,007</u>
Timing of recognition of revenue from contracts with customers:		
At a point in time	<u>331,256</u>	<u>181,035</u>

Note:

Disaggregation of revenue from contracts with customers:

Year ended 31 December 2019

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographic Market						
Hong Kong	–	–	438	–	–	438
People's Republic of China ("PRC")	308,860	8,668	–	–	9,826	327,354
Singapore	–	–	–	1,529	–	1,529
North and South of America	–	–	–	1,935	–	1,935
	<u>308,860</u>	<u>8,668</u>	<u>438</u>	<u>3,464</u>	<u>9,826</u>	<u>331,256</u>

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Major Products/Services						
Trading of electronic products	308,860	–	–	–	–	308,860
Financial services	–	8,668	438	–	–	9,106
International air and sea freight forwarding	–	–	–	3,464	–	3,464
Property brokerage services	–	–	–	–	9,826	9,826
	<u>308,860</u>	<u>8,668</u>	<u>438</u>	<u>3,464</u>	<u>9,826</u>	<u>331,256</u>

Year ended 31 December 2018

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Geographic Market					
Hong Kong	–	–	1,524	–	1,524
PRC	159,261	15,052	–	–	174,313
Singapore	–	–	–	1,914	1,914
North and South America	–	–	–	3,284	3,284
	<u>159,261</u>	<u>15,052</u>	<u>1,524</u>	<u>5,198</u>	<u>181,035</u>

Major Products/Services					
Trading of electronic products	159,261	–	–	–	159,261
Financial services	–	15,052	1,524	–	16,576
International air and sea freight forwarding	–	–	–	5,198	5,198
	<u>159,261</u>	<u>15,052</u>	<u>1,524</u>	<u>5,198</u>	<u>181,035</u>

Trading of goods

Revenue from the trading of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales to customers are normally made with credit terms of 90 days.

Finance leasing

Consultancy income from finance leasing is recognised in the accounting period in which the services are rendered. The customers pay the consultancy service fee to the Group according to the payment schedules as stipulated in the contracts.

Securities and futures brokerage

Commission income on dealing in securities and futures contract is recognised on a trade date basis when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The commission income is due on the settlement date of their respective trade dates, normally two or three business days after the respective trade date.

International air and sea freight forwarding

Income from provision of freight forwarding services is recognised when the services are provided. The Group normally allow credit period of 90 days.

Property brokerage

Commission income on dealing in property agency contract is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The customers pay the commission income to the Group upon the sales of properties is completed.

5. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the type of goods sold or services delivered or provided. The Directors have chosen to organise the Group around difference in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- (a) Trading of goods segment engages in trading of products including but not limited to radio system and electronic appliance in the PRC;
- (b) Finance leasing segment engages in finance leasing of plant and machinery in the PRC;
- (c) Money lending segment engages in money lending in Hong Kong;
- (d) Securities and futures brokerage segment engages in securities and futures dealing services in Hong Kong;
- (e) International air and sea freight forwarding segment engages in the provision of international air and sea freight forwarding and logistic services to customers in Singapore and United States of America;
- (f) Securities trading segment engages in trading of equity securities and dividend income from held for trading investments in Hong Kong;
- (g) Property investment segment engages in investments of properties for rental income and capital appreciation in PRC;
- (h) Building architecture and interior design segments engage in provision of building architecture and interior design services in PRC; and
- (i) Property brokerage segment engages in provision of property agency service in PRC.

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

For the year ended 31 December 2019

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Building architecture and interior design <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	308,860	9,995	29,748	438	3,464	–	–	–	9,826	362,331
Revenue from external customers	308,860	9,995	29,748	438	3,464	–	–	–	9,826	362,331
Segment results	(5,646)	(1,821)	(22,233)	(10,573)	(820)	(1,716)	(16,747)	(11,009)	3,010	(67,555)
Share of profit of associates										3,152
Unallocated corporate expenses										(50,369)
Unallocated corporate income										11,290
Loss before tax										(103,482)

For the year ended 31 December 2018

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	159,261	27,981	24,043	1,524	5,198	–	218,007
Revenue from external customers	159,261	27,981	24,043	1,524	5,198	–	218,007
Segment results	(6,581)	(867)	16,566	(38,622)	(370)	(14,069)	(43,943)
Unallocated corporate expenses							(36,317)
Unallocated corporate income							6,199
Loss before tax							(74,061)

Segment results represents the (loss from) profit earned by each segment without allocation of central administration costs, directors' emoluments, depreciation of certain property, plant and equipment and right-of-use assets, share of profit of associates, loss on disposal and write-off of property, plant and equipment, net foreign exchange loss, interest expense on certain lease liabilities, interest income from promissory note receivable, interest income from other loans receivables, bank interest income and sundry income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Interest income from		
– bank	160	659
– other loans receivables	5,700	–
– promissory note receivable	5,400	5,400
Government grant (<i>Note</i>)	2	3
Sundry income	28	137
	<u>11,290</u>	<u>6,199</u>

Note: During the year ended 31 December 2019, a government grant of approximately HK\$2,000 (2018: HK\$3,000) was granted to the Group in relation to the job credit scheme in Singapore on the condition that the Group has made Central Provident Fund contributions in Singapore. The government grant has been recognised in the same periods in which the expenses were recognised.

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2019 HK\$'000	2018 HK\$'000
Finance costs		
Interest expense on lease liabilities (<i>Notes (i) and (ii)</i>)	<u>3,806</u>	<u>–</u>
Staff costs		
– Directors' emoluments	8,825	9,411
– other staff costs	39,218	25,060
– retirement benefits scheme contributions (excluding those for Directors)	<u>3,545</u>	<u>1,120</u>
Total staff costs	<u>51,588</u>	<u>35,591</u>

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other items		
Auditor's remuneration	1,075	915
Depreciation of property, plant and equipment	3,113	3,629
Depreciation of right-of-use assets (<i>Note (ii)</i>)	19,023	–
Write-off of property, plant and equipment	33	1
Loss on disposal of property, plant and equipment	8	–
Net foreign exchange loss	136	17
Cost of inventories recognised as expenses	<u>302,968</u>	<u>156,448</u>

Notes

- (i) At 31 December 2019, the average effective borrowing rate was 8%.
- (ii) On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases". As a result, depreciation of right-of-use assets and interest expense on lease liabilities are charged to profit or loss over the lease term during the year.

8. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	<u>2,203</u>	<u>4,253</u>
Under/(over) provision in prior years:		
Hong Kong Profits Tax	(50)	–
PRC Enterprise Income Tax	<u>461</u>	<u>634</u>
	411	634
Deferred tax:		
Current year	<u>–</u>	<u>(3,399)</u>
	<u>2,614</u>	<u>1,488</u>

Hong Kong Profits Tax has not been provided for the years ended 31 December 2019 and 2018 as the loss for the taxation purpose is estimated during both years.

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%.

No provision for Singapore and the United States of America Profits Tax has been made as the Group did not generate any assessable profits in Singapore and the United States of America during the two years ended 31 December 2019 and 2018.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	<u><u>(106,067)</u></u>	<u><u>(75,533)</u></u>
	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>5,084,283</u></u>	<u><u>4,201,149</u></u>

The computation of diluted loss per share for the year ended 31 December 2018 does not assume the exercise of the Company’s share options because the exercise prices of those options were higher than the average market price of the Company’s shares.

11. FINANCE LEASE RECEIVABLES

All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance lease receivables	53,965	213,980
Less: allowance for impairment of finance lease receivables	<u>(34,462)</u>	<u>(35,195)</u>
Finance lease receivables, net	<u>19,503</u>	<u>178,785</u>
Analysed for reporting purposes as:		
– Non-current assets	4,215	–
– Current assets	<u>15,288</u>	<u>178,785</u>
	<u>19,503</u>	<u>178,785</u>

	Minimum lease payments		Present value of minimum lease payments	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance lease receivables comprise:				
Within one year	15,360	179,019	15,288	178,785
After one year but within two years	<u>4,215</u>	<u>–</u>	<u>4,215</u>	<u>–</u>
	19,575	179,019	19,503	178,785
Less: unearned interest income	<u>(72)</u>	<u>(234)</u>	<u>–</u>	<u>–</u>
Present value of minimum lease payment receivables	<u>19,503</u>	<u>178,785</u>	<u>19,503</u>	<u>178,785</u>

Effective interest rates of the above finance leases range from 6% to 8% (2018: 6% to 8%) per annum.

Before accepting any finance lease arrangement, the Group assesses the financial strength of the lessee and considers the credit limit granted to the lessee. In addition, the Group may request for guarantor with strong financial status where necessary.

As at 31 December 2019, finance lease receivables before allowance for impairment of approximately RMB40,372,000, equivalent to approximately HK\$45,006,000 (2018: approximately RMB172,403,000, equivalent to approximately HK\$196,278,000) was past due. Included in the carrying amount of the above finance lease receivables as at 31 December 2019 are two individually impaired receivables of approximately RMB30,913,000, equivalent to approximately HK\$34,462,000 (2018: approximately RMB30,913,000, equivalent to approximately HK\$35,195,000) which impairment was made due to customers' default in payment. The Group has taken legal actions against these customers and considered the legal opinion from independent legal advisers during impairment assessment. For the remaining past due amount of approximately RMB9,459,000 (equivalent to approximately HK\$10,544,000), the Group is still negotiating practicable repayment terms and schedules subsequent to the end of the reporting period. Accordingly, the Directors considered no further impairment loss needs to be recognised.

Management closely monitors the credit quality of finance lease receivables and considers the finance lease receivables that are neither past due nor impaired relate to finance lessees for whom there was no recent history of default. As at 31 December 2019, the age of the finance lease receivables was within three years (2018: within three years) based on the effective dates of the relevant lease contracts.

12. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables arising from trading business	152,947	149,424
Trade receivables arising from the securities and futures brokerage business	3,111	16,341
Trade receivables arising from finance leasing business	502	7,053
Trade receivables arising from international air and sea freight forwarding business	1,709	2,041
Less: allowance for impairment	(1,454)	(1,464)
	255	577
Prepayments	2,530	2,410
Deposits and other receivables	17,836	9,827
	<u>177,181</u>	<u>185,632</u>

The Group allows an average credit period normally ranging from 30 days to 180 days (2018: 30 days to 180 days) to its customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debt) presented based on the invoice date or the payment date as stated in the respective contracts at the end of the reporting period, which approximates the respective revenue recognition date.

	Trading business HK\$'000	Finance leasing business HK\$'000	International air and sea freight forwarding business HK\$'000
2019:			
Within 30 days	152,947	–	152
31-60 days	–	–	62
61-90 days	–	–	20
Over 90 days	–	502	21
	<u>152,947</u>	<u>502</u>	<u>255</u>

	Trading business HK\$'000	Finance leasing business HK\$'000	International air and sea freight forwarding business HK\$'000
2018:			
Within 30 days	–	–	227
31-60 days	–	6,541	84
61-90 days	–	–	150
Over 90 days	149,424	512	116
	<u>149,424</u>	<u>7,053</u>	<u>577</u>

The settlement term of trade receivables arising from the securities brokerage business are two trade days after the trade execution date. The trade receivables from Hong Kong Futures Exchange Clearing Corporation Limited and futures brokers are repayable on demand which represent amounts deposited for trade execution purpose.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK\$523,000 (2018: HK\$150,052,000) which were past due at the end of the reporting period and for which the Group has not provided for doubtful debt. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables that were past due but not impaired based on the invoice date or the payment date as stated in the respective contracts at the end of reporting date, which approximately the respective revenue recognition date, is as follow:

	2019 HK\$'000	2018 HK\$'000
Over 90 days	<u>523</u>	<u>150,052</u>

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on the past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

13. LOANS AND INTEREST RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Loans receivables:		
Secured	40,000	46,000
Unsecured	<u>393,905</u>	<u>329,620</u>
	433,905	375,620
Interest receivables	31,515	29,902
Less: allowance for impairment of loan and interest receivables	<u>(43,466)</u>	<u>–</u>
Loans and interest receivables, net	<u>421,954</u>	<u>405,522</u>
Analysed for reporting purposes as:		
– Non-current assets	105,369	55,000
– Current assets	<u>316,585</u>	<u>350,522</u>
	<u>421,954</u>	<u>405,522</u>

As at 31 December 2019, secured loans before allowance for impairment of HK\$40,000,000 were secured by assets charges provided by borrowers (2018: HK\$46,000,000 secured by shares or assets charges provided by borrowers). The Group does not hold any collateral over the unsecured loans. The remaining loans amount before allowance for impairment of approximately HK\$393,905,000 (2018: approximately HK\$329,620,000) represents unsecured loans certain of which are accompanied by personal or corporate guarantee. The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 5 to 54 months (2018: 5 to 30 months). The loans provided to borrowers bore interest rate ranging from 8% – 15% per annum (2018: 8% – 15% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

The following is an aged analysis of loans and interest receivables (net of allowance for impairment), presented based on the dates which loans are granted to borrowers and interests are accrued.

	2019 HK\$'000	2018 HK\$'000
Within 90 days	8,995	7,238
91 – 180 days	60,429	49,457
181 – 365 days	71,077	64,423
Over 365 days	281,453	284,404
	421,954	405,522

As at 31 December 2019, loans and interest receivables before allowance for impairment of approximately HK\$224,138,000 (2018: approximately HK\$294,444,000) were past due. Included in the carrying amount of the above loans and interest receivables as at 31 December 2019 are one individually impaired receivables of approximately HK\$43,466,000 (2018: nil) which impairment was made due to borrower's default in payment. Subsequent to the end of the reporting period, approximately HK\$7,152,000 were settled. The remaining past due amount of approximately HK\$173,520,000 are due from several borrowers with whom the Group is negotiating practicable repayment terms and schedules. The Directors assessed their creditworthiness and financial position and are of view that no impairment loss is necessary. The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default. Accordingly, the Directors considered that no further impairment loss is necessary. Saved for the aforesaid secured loans, the Group does not hold collateral over other balances.

14. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables arising from the securities and futures brokerage business	6,397	24,776
Trade payables arising from international air and sea freight forwarding services	720	800
Trade payables arising from property brokerage business	1,048	–
Earnest money from finance lease receivables	3,344	7,081
Value-added tax payable	1,157	960
Accrued charges	12,623	8,346
Other payables	4,272	1,939
	<u>29,561</u>	<u>43,902</u>

For trade payables arising from the securities and futures brokerage business, no aging analysis is disclosed for the Group's margin and cash clients and clearing house as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of securities brokerage. Also, the settlement terms of clearing house is two trading days after the transaction dates.

For trade payables arising from property brokerage business, no aging analysis is disclosed as the Group is yet to receive invoices at the end of the reporting period. The payables is accrued based on the monthly statements agreed with the respective agents. According to the relevant agency contracts, the invoices will be billed in the following month and the settlement terms is within 3 business days from the invoices date.

The average credit period on international air and sea freight forwarding services is normally ranging from 30 days to 90 days (2018: 30 days to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables from international air and sea freight forwarding services presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	94	169
31 – 60 days	1	–
61 – 90 days	3	7
Over 90 days	622	624
	<u>720</u>	<u>800</u>

15. EVENTS AFTER THE REPORTING PERIOD

- (a) On 14 January 2020, Shenzhen Guohua Construction Industrial Co., Ltd.* (深圳國華建業實業有限公司) (“Shenzhen Guohua”), a wholly owned subsidiary of the Company, and Ningbo Sixing Information Technology Co., Ltd.* (寧波思行信息科技有限公司) (“Ningbo Sixing”), an independent third party, entered into the equity transfer agreement pursuant to which Shenzhen Guohua conditionally agreed to acquire, and Ningbo Sixing conditionally agreed to sell, 100% equity interest in Jiangsu Meili Kongjian Construction Design Development Co., Ltd.* (江蘇美麗空間建築設計產業發展有限公司) (“Jiangsu Meili Kongjian”) at an aggregate consideration of RMB41,000,000. The acquisition was completed on 2 March 2020 and Jiangsu Meili Kongjian has become the subsidiary of the Company since then. Further details are set out in the Company’s announcement dated 14 January 2020.
- (b) On 18 February 2020, Guohua Jiaye (Beijing) Enterprise Management Co., Ltd.* (國華佳業(北京)企業管理有限公司) (“Guohua Jiaye”), a wholly owned subsidiary of the Company, and Qingdao Maojie Enterprise Management Partnership (LLP)* (青島茂捷企業管理合夥企業(有限合夥)) and Ms. Li Jing* (李靜) (collectively as the “Independent Third Parties Vendors”), among others, entered into the equity transfer agreement pursuant to which Guohua Jiaye conditionally agreed to acquire, and the Independent Third Parties Vendors conditionally agreed to sell, the entire equity interest in Beijing Yuehai Enterprise Management Co., Ltd.* (北京岳海企業管理有限公司) (“Beijing Yuehai”), at a consideration of RMB110,000,000. The acquisition was completed on 24 March 2020 and Beijing Yuehai and its subsidiaries have become the subsidiaries of the Company since then. Further details are set out in the Company’s announcements dated 18 February 2020 and 24 March 2020.
- (c) On 20 March 2020, Kang Yong International Limited, Honghu Group Limited and Mr. Deng Junjie entered into a third supplementary deed to the promissory note whereby the parties agreed, among other things, to further extend the maturity date of the promissory note to 20 March 2021. Further details are set out in the Company’s announcement dated 20 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended	
	31.12.2019	31.12.2018
	<i>HK\$'M</i>	<i>HK\$'M</i>
Financial Results Highlight		
Turnover	362.3	218.0
Other operating gain (loss) (net)	8.8	(7.2)
Total expenses	(104.4)	(81.2)
Unrealised loss on fair value change on investment properties	(16.1)	–
Share of profit of associates	3.2	–
Impairment loss on right-of-use assets	(4.1)	–
Impairment loss on loan and interest receivables	(43.5)	–
Impairment loss on finance lease receivable	–	(13.6)
Impairment loss on goodwill	–	(29.0)
Net loss before tax and non-controlling interests	(103.5)	(74.1)
Loss for the year attributable to owners of the Company	(106.1)	(75.5)

	As at	
	31.12.2019	31.12.2018
	<i>HK\$'M</i>	<i>HK\$'M</i>

Extract of Financial Position

Total assets	1,192.7	1,288.1
Total liabilities	(75.2)	(53.0)
Net current assets	637.4	1,038.2
Bank balances and cash	97.5	274.8
Net assets	1,117.5	1,235.1

OVERVIEW

For the year ended 31 December 2019, the Group's turnover was approximately HK\$362.3 million, representing an increase of 66.2% as compared with approximately HK\$218.0 million last year. The net loss for the year ended 31 December 2019 was approximately HK\$106.1 million as compared with approximately HK\$75.5 million last year. The increase in loss was mainly attributable to the combined effect of, among other things, (i) the increase in unrealised loss on fair value change on investments by approximately HK\$5.2 million based on independent valuation results, (ii) the increase in impairment loss on assets by approximately HK\$5.0 million mainly due to a borrower's default in payment, (iii) the increase in staff costs by approximately HK\$16.0 million in line with expanded business activities.

BUSINESS AND FINANCIAL REVIEW

Finance Leasing Business

The Group commenced its finance leasing business in July 2015 and has been engaged in providing finance lease services in the PRC. The sale and lease back arrangement is the main business model for existing customers. The leased assets primarily consist of plant and equipment, motor vehicles and other tangible assets. For the year ended 31 December 2019, the turnover of the Group's finance leasing business amounted to approximately HK\$10.0 million (2018: approximately HK\$28.0 million). During the year ended 31 December 2019, the Group agreed on debts settlement arrangement with several leasees, among which, finance lease interest of approximately RMB441,000 (equivalent to approximately HK\$521,000) and consultancy income of approximately RMB16,323,000 (equivalent to approximately HK\$19,291,000) have been agreed by the parties to be waived. A total of waived amount of approximately HK\$1,686,000 was accounted for in the year ended 31 December 2019. Corresponding segment loss of approximately HK\$1.8 million was incurred for the year ended 31 December 2019 (2018: approximately HK\$0.9 million).

Money Lending Business

The Group holds a money lenders licence in Hong Kong and provides loan facilities to prospective customers including enterprises and individuals. This segment has begun to generate returns to the Group since April 2016. For the year ended 31 December 2019, the turnover of the Group's money lending business amounted to approximately HK\$29.7 million (2018: approximately HK\$24.0 million). Corresponding segment loss of approximately HK\$22.2 million, including the impairment loss on loan and interest receivables of approximately HK\$43.5 million due to borrower's default in payment, was incurred for the year ended 31 December 2019 (2018: segment profit of approximately HK\$16.6 million).

Securities and Futures Brokerage Business

The Group acquired several companies which are principally engaged in the provision of financial services, including securities and futures dealing, margin financing, asset management and stock broking in Hong Kong on 14 August 2017. Since then the Group has provided brokerage services for securities and futures traded on exchanges in Hong Kong and major overseas countries. For the year ended 31 December 2019, the turnover of the Group's securities and futures brokerage business amounted to approximately HK\$0.4 million (2018: approximately HK\$1.5 million). Corresponding segment loss of approximately HK\$10.6 million was incurred for the year ended 31 December 2019 (2018: approximately HK\$38.6 million).

Trading Business

The Group is trading goods, including radio system and electronic appliance, in the PRC. For the year ended 31 December 2019, the turnover of the Group's trading business amounted to approximately HK\$308.9 million (2018: approximately HK\$159.3 million) whereas the gross profit was approximately HK\$5.9 million (2018: approximately HK\$2.8 million). The Group recorded a loss of approximately HK\$5.6 million for the year ended 31 December 2019 (2018: approximately HK\$6.6 million) in this segment.

Securities Investment Business

It represents trading of listed equity securities in the Hong Kong stock market and dividend income (if any) from such listed equity securities. For the year ended 31 December 2019, the Group did not trade any listed equity securities and hence no turnover and realised gain/loss of the Group's securities investment business was generated (2018: nil). During the year ended 31 December 2019, the Group recorded an unrealised fair value loss of the listed securities of approximately HK\$1.7 million (2018: approximately HK\$13.4 million). For the year ended 31 December 2019, the Group did not receive any dividend income (2018: nil). As at 31 December 2019, the Group held trading securities with value of approximately HK\$1.3 million (2018: approximately HK\$3.0 million).

Freight Forwarding Business

This segment represents the provision of international air and sea freight forwarding and logistic services to customers in Singapore and United States of America. For the year ended 31 December 2019, the turnover of the Group's freight forwarding business amounted to approximately HK\$3.5 million (2018: approximately HK\$5.2 million). Corresponding gross profit of approximately HK\$1.0 million and segment loss of approximately HK\$0.8 million were made for the year ended 31 December 2019 respectively (2018: gross profit of approximately HK\$1.6 million and segment loss of approximately HK\$0.4 million).

Property Investment Business

The Group acquired a group of companies which mainly hold the investment properties in the PRC for rental income and capital appreciation on 15 January 2019. For the year ended 31 December 2019, such investment properties did not generate any rental income. The Group is planning to undergo certain interior fitting out works to improve their multi-usages with an aim to enhancing competitive advantages in the leasing market. As at 31 December 2019, the fair value of the investment properties was approximately HK\$111.5 million after deduction of unrealised fair value loss of approximately HK\$16.1 million with reference to the valuation result of independent professional valuers.

Property Brokerage Business

The Group acquired a company which is principally engaged in provision of residential and commercial property brokerage services in the PRC on 3 June 2019. For the year ended 31 December 2019, the turnover of the Group's property brokerage business amounted to approximately HK\$9.8 million. Corresponding profit of approximately HK\$3.0 million was made in this segment.

Building Architecture and Interior Design Business

The Group acquired a company which is principally engaged in provision of building architecture and interior design services in the PRC on 6 June 2019. For the year ended 31 December 2019, the Group did not provide any building architecture and interior design services and hence no turnover of this segment was generated. The Group is under discussion and negotiation with potential clients for certain construction projects. Segment loss of approximately HK\$11.0 million was incurred during the year.

OUTLOOK

With an aim to improving the Group's profitability and strengthening its operation's sustainability, the Group intends to continue to develop its principal financial services business while doing the layout for the Group's real estate related business segments. From 2019 to the date of this announcement, the Group has acquired various real estate related businesses in the PRC, including property brokerage services, building architecture and interior design services and provision of heat supply services, and is also proceeding with a transaction in relation to projects construction contracting services. In addition, the Group acquired a land parcel in the PRC for developing properties for sale. The Group is reviewing its existing resources, including the experience, expertise and network of the Company's Directors and management, and leverage them when appropriate to further expend these newly acquired businesses and to create a synergy effect. By doing so, the Group is able to broaden its revenue base and improve its profitability.

On the other hand, the world-wide macroeconomic environment in 2020 is full of challenges and uncertainties due to the outbreak of the COVID-19 pandemic which has posed great threats to the world major economies. Investors are concerned that there will be slowdown of growth in major economies or even a global recession such that market sentiments are extremely volatile. Looking forward, the Group will adopt a cautious approach to monitor the business environment closely and strengthen its competitiveness by exploring new opportunities and diversify business activities of the Group in due course.

LIQUIDITY AND CASHFLOW RESOURCES

As at 31 December 2019, the equity and net current assets of the Group amounted to approximately HK\$1,117.5 million (2018: approximately HK\$1,235.1 million) and HK\$637.4 million (2018: approximately HK\$1,038.2 million) respectively. On the same date, the Group had bank balances and cash of approximately HK\$97.5 million (2018: approximately HK\$274.8 million) and the current ratio was 10.15 (2018: 20.58). As at 31 December 2019 and 2018, the Group had no interest bearing borrowing but an interest-free and unsecured advance payment from an associate of approximately HK\$6.5 million to be repaid on demand.

The Group has sufficient and readily available financial resources for both general working capital purposes and existing business operation.

PLEDGE OF ASSETS

As at 31 December 2019 and 2018, none of the Group's securities was pledged to brokers to secure the margin loan. As at 31 December 2019 and 2018, there were no other significant assets pledged to banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE

During the year ended 31 December 2019, the Group incurred approximately HK\$0.1 million (2018: approximately HK\$0.2 million) as capital expenditure mainly in respect of plant and equipment situated in Hong Kong and PRC offices.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitment of HK\$70.0 million in relation to the acquisition of subsidiaries (2018: HK\$68.0 million).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the Group held (i) financial assets at fair value through other comprehensive income of approximately HK\$11.2 million (2018: approximately HK\$16.2 million) which represented unlisted equity securities in Hong Kong, and (ii) financial assets at fair value through profit or loss of approximately HK\$1.3 million (2018: approximately HK\$3.0 million) which represented listed securities held for trading in Hong Kong as follow:

Company Name/Stock Code	Number of shares held		% of shareholding		Unrealised	Fair value		% of Net Assets		Dividend received		Total
					loss on							investment
					fair value							cost
	('000)		(%)		change	(HK\$'000)		(%)		(HK\$'000)		(HK\$'000)
	As at	As at	As at	As at	For the	As at	As at	As at	As at	For the	For the	As at
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	year ended	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Elegance Optical International Holdings Limited (907) ("EOIH")	7,800	7,800	2%	2%	(1,716)	1,287	3,003	0.12	0.24	–	–	18,004

Based on public information available at the website of the Stock Exchange as at the date of this announcement, EOIH is principally engaged in the manufacture and trading of optical frames and sunglasses, property investment, investment in debts and securities, film investment and distribution business and money lending business.

During the year ended 31 December 2019, the Group recorded (i) an unrealised fair value loss of approximately HK\$1.7 million in relation to investment in listed securities held for trading in profit or loss, and (ii) fair value loss of approximately HK\$0.9 million on securities investments that are not held for trading in other comprehensive income.

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to closely monitor the performance of its investment portfolio from time to time.

As at 31 December 2019, the Company did not hold any significant investments in an investee company with a value of 5% or more of the Company's total assets.

MATERIAL ACQUISITION AND DISPOSAL

- (i) On 31 December 2018, Esteem Sun Limited (“Esteem Sun”), a wholly owned subsidiary of the Company, and Lucent Time Limited (“Lucent Time”), an independent third party, entered into the share transfer and loan assignment agreement, pursuant to which (i) Lucent Time conditionally agreed to sell, and Esteem Sun conditionally agreed to acquire, the entire issued share capital of Noble Realm Limited and (ii) Lucent Time conditionally agreed to assign and Esteem Sun conditionally agreed to assume all rights and benefits of the interest free shareholder's loan, at an aggregate consideration of HK\$135.0 million. The acquisition was completed on 15 January 2019 and Noble Realm Limited and its subsidiaries become subsidiaries of the Company since then. Further details of the acquisition are set out in the Company's announcements dated 31 December 2018 and 15 January 2019.

- (ii) On 18 January 2019, Guohua Jiaye, a wholly-owned subsidiary of the Company, entered into share transfer agreements with independent third parties to acquire 100% equity interest in Shanghai Xuanmei Property Agency Company Limited* (上海軒美房地產經紀有限公司) (“Shanghai Xuanmei”) and Shanghai Tuxuan Construction Design Company Limited* (上海圖炫建築設計有限公司) (“Shanghai Tuxuan”) at a consideration of RMB6.0 million (approximately HK\$6.8 million) and approximately RMB6.3 million (approximately HK\$7.1 million) respectively. Shanghai Xuanmei is principally engaged in provision of residential and commercial property brokerage services in the PRC while Shanghai Tuxuan is principally engaged in provision of building architecture and interior design services in the PRC. The acquisition of Shanghai Xuanmei and Shanghai Tuxuan were completed on 3 June 2019 and 6 June 2019 respectively.
- (iii) On 21 June 2019, China Best Financial Holdings Limited, a wholly owned subsidiary of the Company, completed the acquisition of 25% of the issued share capital of Treasure Cart Holdings Limited from an independent third party at a consideration of HK\$45.0 million. The major subsidiaries of Treasure Cart Holdings Limited are principally engaged in investment fund management and provision of financial information, solutions and data analytical service in the PRC. After the acquisition, Treasure Cart Holdings Limited and its subsidiaries become associates of the Company.
- (iv) On 18 December 2019, Esteem Sun, a wholly owned subsidiary of the Company, entered into share transfer agreement with independent third parties to acquire the entire issued share capital of Total Fame Holdings Limited at a consideration of HK\$70.0 million. Total Fame Holdings Limited and its subsidiaries are principally engaged in the business of projects construction contracting in the PRC. As at the date of this announcement, the acquisition is yet to complete. Further details of the acquisition are set out in the Company’s announcements dated 18 December 2019, 23 January 2020, 24 February 2020, 2 March 2020 and 27 March 2020.

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 2019.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

The Company did not conduct any other fund raising activities during the year ended 31 December 2019.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's monetary assets and transactions are principally denominated in Hong Kong dollars, Renminbi and US dollars. During the year ended 31 December 2019, there was no significant fluctuation in the exchange rates of Hong Kong dollars and US dollars whereas Renminbi had a downward adjustment, resulting in an exchange loss of approximately HK\$10.5 million recognised as other comprehensive expense of the Group. The Group will take a prudent approach against any impact arising from the fluctuation in exchange rates 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 2019, the Group had 139 staff (2018: 67 staff). The total staff cost incurred for the year ended 31 December 2019 was approximately HK\$51.6 million (2018: approximately HK\$35.6 million). The remuneration of employees was determined with reference to the qualification and experience of individual staff member, market circumstances and the Group's performance. In accordance with the Listing Rules, the staff of the Company's accounting and financial reporting function have adequate training programmes 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 ended 31 December 2019, no options were granted under the 2012 Share Option Scheme.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") PERFORMANCE

The Group continually reviews its ESG efforts, corporate governance and risk management practices with the aim to create and deliver sustainable value to all its stakeholders. The Group has been looking for opportunities to reduce the consumption of resources in order to reduce the impact on the environment. Details of the Group's ESG efforts will be set out in its 2019 annual report.

FINAL DIVIDEND

The Board has resolved not to recommend any final dividend for the year ended 31 December 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2019 (2018: Nil).

REVIEW OF FINANCIAL INFORMATION

The Board has established the audit committee of the Company (the "Audit Committee") in accordance with the Listing Rules. The Audit Committee currently comprises Mr. Ru Xiangnan, Mr. Liu Haiping and Mr. Liu Tonghui, the three independent non-executive Directors. A summary of duties and work of the Audit Committee will be set out in the "Corporate Governance Report" in the 2019 annual report which will be despatched to the shareholders in due course.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters. The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2019.

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 2019 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI ANDA 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 HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Board, saved as disclosed below, none of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2019.

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 various work commitments, two executive Directors namely, Mr. Chen Wei and Mr. Liu Wei and two independent non-executive Directors namely, Mr. Liu Haiping and Mr. Ru Xiangnan were unable to attend the Company’s annual general meeting held on 3 June 2019.

Under the code provision C.2.5 of the CG Code, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the Audit Committee is responsible for a review on the internal control system annually. The review covers major financial, operational controls in rotation basis and also the risk management functions. No significant deficiency was identified under current year’s review and the systems were operating effectively and adequately. The Group continues to review the need for an internal audit function annually.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining the Group’s risk management and internal control systems to safeguard shareholders’ investment and for reviewing the effectiveness of such on an annual basis under code provision C.2.1 of the CG Code.

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 on all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1 June 2020 to Friday, 5 June 2020 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to be shareholders of the Company to attend and vote at the annual general meeting to be held on Friday, 5 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 29 May 2020.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement containing the results of the Group for the year ended 31 December 2019 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cbgroup.com.hk>) respectively. The 2019 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
Mr. Qin Jie
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2020

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. 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.