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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the “Board”) of China Best Group Holding Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with the comparative figures for the six months ended 30 June 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended	
		30.6.2012	30.6.2011
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	68,114	99,983
Revenue	4	44,015	7,423
Cost of sales		(28,628)	(3,054)
Gross profit		15,387	4,369
Other income		1,578	19
Selling and distribution expenses		(126)	—
Administrative expenses		(7,771)	(13,496)
Realised (loss) gain on investments held for trading		(6)	12,378
Fair value changes on investments held for trading		(12,229)	—
Finance costs	5	(1,114)	—

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Continued)

		Six months ended	
		30.6.2012	30.6.2011
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
(Loss) profit before taxation	6	(4,281)	3,270
Taxation	7	(1,667)	—
		<hr/>	<hr/>
(Loss) profit for the period		(5,948)	3,270
		<hr/>	<hr/>
Other comprehensive income for the period:			
Exchange differences arising on translation		395	299
		<hr/>	<hr/>
Total comprehensive (expenses) income for the period		(5,553)	3,569
		<hr/>	<hr/>
(Loss) profit for the period attributable to:			
Owners of the Company		(9,216)	3,285
Non-controlling interests		3,268	(15)
		<hr/>	<hr/>
		(5,948)	3,270
		<hr/>	<hr/>
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(8,875)	3,559
Non-controlling interests		3,322	10
		<hr/>	<hr/>
		(5,553)	3,569
		<hr/>	<hr/>
(Loss) earnings per share	9		
— basic and diluted		(0.38) cents	0.16 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	52,661	53,228
Prepaid lease payment		190	202
Investment property	10	1,920	1,920
Available-for-sale investments		7,500	7,500
Goodwill		36,365	36,365
		<u>98,636</u>	<u>99,215</u>
Current assets			
Prepaid lease payment		24	24
Inventories		20,473	3,198
Trade and other receivables	11	56,549	32,466
Held for trading investments		40,000	27,956
Deposits placed with security brokers		38	355
Bank balances and cash		216,161	302,883
		<u>333,245</u>	<u>366,882</u>
Current liabilities			
Trade and other payables	12	35,558	58,778
Loan from a related company		—	23,346
Loan from a non-controlling interest of a subsidiary	13	37,350	21,125
Tax liabilities		8,548	6,870
		<u>81,456</u>	<u>110,119</u>
Net current assets		<u>251,789</u>	<u>256,763</u>
		<u>350,425</u>	<u>355,978</u>
Capital and reserves			
Share capital		121,584	121,584
Reserves		215,738	224,613
Equity attributable to owners of the Company		<u>337,322</u>	<u>346,197</u>
Non-controlling interests		10,700	7,378
Total Equity		<u>348,022</u>	<u>353,575</u>
Non-current liability			
Deferred tax liabilities		2,403	2,403
		<u>350,425</u>	<u>355,978</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretation that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle ¹
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities ¹
	Mandatory effective date of HKFRS 9 and transition disclosures ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
HKFRS 9	Financial instruments ²
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ³
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ⁴
HK(IFRIC) — Interpretation (“INT”) 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

Save as disclosed in the annual report for the year ended 31 December 2011, the directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. TURNOVER

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

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Manufacture and sales of coal	39,184	—
Provision of international air and sea freight forwarding services	3,277	3,980
Gross proceeds from disposal of investments held for trading	24,099	92,560
Dividend income from investments held for trading	1,554	3,443
	68,114	99,983

4. REVENUE AND SEGMENTAL INFORMATION

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

Six months ended 30 June 2012 (unaudited)

	International air and sea freight forwarding HK\$'000	Securities trading HK\$'000	Manufacture and sales of coal HK\$'000	Total HK\$'000
Turnover	3,277	25,653	39,184	68,114
Revenue				
External	3,277	1,554	39,184	44,015
Segment (loss) profit	(9)	(11,090)	11,000	(99)
Unallocated corporate expenses				(4,640)
Unallocated other income				1,572
Finance cost				(1,114)
Loss before taxation				(4,281)

Six months ended 30 June 2011 (unaudited)

	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>
Turnover	<u>3,980</u>	<u>96,003</u>	<u>—</u>	<u>99,983</u>
Revenue				
External	<u>3,980</u>	<u>3,443</u>	<u>—</u>	<u>7,423</u>
Segment (loss) profit	<u>(252)</u>	<u>15,801</u>	<u>(683)</u>	14,866
Unallocated corporate expenses				(11,607)
Unallocated other income				<u>11</u>
Profit before taxation				<u>3,270</u>

Segment (loss) profit represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, bank interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets

The following is an analysis of the Group's assets 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 30 June 2012 (unaudited)				
Segment assets	<u>718</u>	<u>42,369</u>	<u>162,158</u>	<u>205,245</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 2011 (audited)				
Segment assets	<u>928</u>	<u>28,311</u>	<u>123,107</u>	<u>152,346</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than available-for-sale investments, investment property, bank balances and cash, the equipment of head office and part of other receivables.

5. FINANCE COSTS

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
— loan from a related company	263	—
— loan from a non-controlling interests of a subsidiary	766	—
Others	85	—
	<u>1,114</u>	<u>—</u>

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit before taxation has been arrived at after charging (crediting) the following items:		
Auditors' remuneration	446	350
Depreciation of property, plant and equipment	3,064	55
Amortisation of prepaid lease payment	12	—
Employee benefit expenses (including directors' remuneration)	2,588	3,285
Written off property, plant and equipment	—	8
Cost of inventories recognised as an expenses	26,168	—
Minimum lease payments under operating lease charges	919	2,251
Net exchange gain	(263)	(1)
Interest income	<u>(1,309)</u>	<u>(11)</u>

7. TAXATION

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	<u>1,667</u>	<u>—</u>
	<u>1,667</u>	<u>—</u>

No provision for Hong Kong Profits Tax had been made as the Group had no assessable profit for the period ended 30 June 2012.

Under the Law of the People's Republic of China 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.

8. INTERIM DIVIDEND

No dividend were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2011: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the period ended 30 June 2012 is based on the loss for the period attributable to the owners of the Company of approximately HK\$9,216,000 (2011: profit for the period of approximately HK\$3,285,000) and on the weighted average number of 2,431,670,845 (2011: 2,109,796,000) ordinary shares in issue during the period.

The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those option is higher than the average market price for shares for the period ended 30 June 2012 and 30 June 2011.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the period ended 30 June 2012, the Group spent approximately HK\$2,256,000 (six months ended 30 June 2011: HK\$22,000) on property, plant and equipment. There was no addition for investment property for the both periods ended 30 June 2012 and 2011.

In the opinion of the directors of the Company, there are no material difference between the carrying amounts of the investment property and their fair values at 30 June 2012 and 31 December 2011.

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period normally ranging from 30 days to 90 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.

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
0–30 days	32,823	29,033
31–60 days	27	326
61–90 days	3,876	5
Over 90 days	1,183	1,342
Trade receivables	37,909	30,706
Dividend receivables	1,508	—
Bills receivables	8,592	—
Deposits, prepayments and other receivables	8,540	1,760
	56,549	32,466

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date.

	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
0–30 days	7,585	571
31–60 days	33	6
61–90 days	7	1
Over 90 days	1,175	968
	<hr/>	<hr/>
Trade payables	8,800	1,546
Accrued charges and other payables	26,758	57,232
	<hr/>	<hr/>
	35,558	58,778
	<hr/>	<hr/>

13. LOAN FROM A NON-CONTROLLING INTEREST OF A SUBSIDIARY

The amount is unsecured and non-trade in nature, other than an amount of approximately HK\$36,460,000 carries interest at 2% over Hong Kong prime rate per annum and repayable within 1 year, the remaining balance is interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

	2012 Interim HK\$'M	2011 Final HK\$'M	2011 Interim HK\$'M
Financial Results Highlight			
Turnover	68.1	190.5	100.0
Gross profit	15.3	7.2	4.4
Other operating income/(loss)(net)	(10.7)	25.1	0.0
Total expenses	(9.0)	(25.4)	(13.5)
Net profit (loss) before taxation & non-controlling interests	(4.3)	6.8	3.3
Net profit (loss) after taxation & non-controlling interests	(9.2)	5.9	3.3
Extract of Financial Position			
Total assets	431.9	466.0	337.3
Total liabilities	(83.9)	(112.5)	(19.0)
Net current assets	251.8	256.7	308.8
Cash and bank balance	216.2	302.8	323.9
Total net assets	348.0	353.5	318.3

The consolidated turnover of the Group amounted to HK\$68.1 million for the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$100.0 million). Total gross profit was approximately HK\$15.3 million (six months ended 30 June 2011: HK\$4.4 million). For the six months ended 30 June 2012, the Group recorded net other operating loss of HK\$10.7 million (six months ended 30 June 2011 income: HK\$19,000), total expenses of HK\$9.0 million (six months ended 30 June 2011: HK\$13.5 million) and net loss before taxation and non-controlling interest of HK\$4.3 million (six months ended 30 June 2011 profit: HK\$3.3 million). Finally, the net loss after taxation and non-controlling interest was approximately HK\$9.2 million (six months ended 30 June 2011 profit: HK\$3.3 million).

BUSINESS REVIEW

Coal Business

The turnover and gross profit of the Group's coal business were HK\$39.1 million and HK\$13.0 million for the six months ended 30 June 2012 respectively. There was no turnover and gross profit from coal operations for the six months ended 30 June 2011 as the coal operation did not commence during the period.

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK\$3.3 million for the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$3.9 million), representing a decrease of 17.6% as compared to the previous corresponding period. Total gross profit was HK\$0.8 million (six months ended 30 June 2011: HK\$0.9 million), a decrease of 11.7% comparing with the previous corresponding period.

Securities Investment

The total transaction volume of the Group's securities investment business was HK\$25.6 million for the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$96.0 million), representing a decrease of 73.2% as compared to the previous corresponding period. The realised loss was HK\$6,000 for investments held for trading during the period under review (six months ended 30 June 2011 realised gain: HK\$12.3 million). During the six months ended 30 June 2012, the unrealised loss on a fair value adjustment on investments held for trading was HK\$12.2 million (six months ended 30 June 2011: HK\$Nil).

LIQUIDITY AND CASHFLOW RESOURCES

The current ratio increased from 3.33 as at 31 December 2011 to 4.09 as at 30 June 2012. The calculation of current ratio is based on the current assets of HK\$333.2 million (31 December 2011: HK\$366.8 million) and the current liabilities of HK\$81.5 million (31 December 2011: HK\$110.1 million) as at 30 June 2012.

The cash and bank balances was HK\$216.2 million (31 December 2011: HK\$302.9 million) and the listed securities investment held for trading was HK\$40.0 million as at 30 June 2012 (31 December 2011: HK\$27.9 million). The Group has sufficient and readily available financial resources for both general working capital purpose and feasible acquisition of the proposed investments in the Mainland China or other countries may encounter or contemplate in the future.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group provided a financial guarantee to an independent third party in respect of leasing the office of approximately HK\$61,000 (as at 31 December 2011: HK\$60,000) to an independent third party.

PLEDGE OF ASSETS

As at 30 June 2012, there was no Group's securities pledged to brokers to secure the margin loan (31 December 2011: HK\$Nil). As at 30 June 2012, there was no other significant assets pledged to banks to secure general banking facilities granted to the Group and the post-dated bills payable (31 December 2011: HK\$Nil).

CAPITAL EXPENDITURE

The Group had no material capital expenditure for the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$Nil).

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, Singapore dollars, US dollars and Renminbi. During the period under review, there was no significant fluctuation in the exchange rates of those currencies. The monetary assets of the Group in the currency value of US dollars are also subject to the risk of exchange rate fluctuation. The Group will take a prudent approach for this impact but in the meant time do not engage in any derivative activities and not commit to any financial instruments to hedge its balance sheet exposure in the first six months of the year 2012.

INTERIM DIVIDEND

The Board of the Company has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 90 staff as at 30 June 2012 (31 December 2011: 86). The remuneration of employees was determined with reference to the market terms, their qualification, experience and performance to the Company. As per the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the staff of the issuer's accounting and financial reporting function should have adequate training programs and budget.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Zhou Mingchi, Ms. Wong Yan Ki, Angel and Mr. Zhang Liang.

The primary duties of the Audit Committee are to review the financial statements and reports and to review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Group's unaudited results for the six months ended 30 June 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES/CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Board, save as disclosed below, none of the directors of the Company are aware of any information that would reasonably indicate that the Company was not for any part of the six months ended 30 June 2012 in compliance with the Code Provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the “CG Code”) during the period from 1 April 2012 to 30 June 2012 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 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 is not set out in writing, power 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 division of responsibilities to enhance best interest 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. One executive director and all independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 22 May 2012 due to various work commitments.

INTERNAL CONTROL

The Board acknowledges its responsibility for the Group’s system of internal control to safeguard shareholder investment and reviewing the effectiveness of such on an annual basis pursuant to Code Provision C.2.1 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors’ securities transactions. All directors of the Company have confirmed, immediately following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.cbgroup.com.hk).

The 2012 Interim Report of the Company containing all the information required under Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

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

Hong Kong, 28 August 2012

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.