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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 2017

The board of directors (the “Board”) of China Best Group Holding Limited (the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	<i>Note</i>	Six months ended	
		30.6.2017	30.6.2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations			
Turnover	3	<u>356,305</u>	<u>389,979</u>

* *For identification purpose only*

	Notes	Six months ended	
		30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
Revenue	4	244,333	267,346
Cost of sales		(202,378)	(238,324)
Gross profit		41,955	29,022
Other income		1,806	1,467
Administrative and other expenses		(32,696)	(33,984)
Realised loss on held for trading investments		(3,294)	(7,566)
Unrealised (loss) gain on fair value change on held for trading investments		(3,652)	10,096
Impairment loss on an available-for-sale investment		–	(4,761)
Share of losses of associates		(2,183)	(6,872)
Gain on disposal of asset classified as held for sale	9(i)	281	–
Gain on disposal of an associate	9(ii)	29,420	–
Profit (loss) before tax	5	31,637	(12,598)
Income tax expense	6	(4,507)	(2,517)
Profit (loss) for the period from continuing operations		27,130	(15,115)
Discontinued operation			
Profit for the period from discontinued operation		–	7,799
Profit (loss) for the period		27,130	(7,316)
Other comprehensive income (loss) for the period:			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive income (loss) of associates		501	(3,740)
Translation reserve released upon disposal of associates		7,051	–
Exchange differences on translation of foreign operations		12,406	(10,013)
Translation reserve released upon disposal of subsidiaries		–	(1,947)
Fair value loss on available-for-sale investments		(66)	(9,212)
Reserve released upon impairment loss on an available-for-sale investment		–	4,761
Other comprehensive income (loss) for the period		19,892	(20,151)
Total comprehensive income (loss) for the period		47,022	(27,467)

	Six months ended	
	30.6.2017	30.6.2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company:		
– from continuing operations	27,138	(15,112)
– from discontinued operation	<u>–</u>	<u>8,295</u>
	27,138	(6,817)
Loss for the period attributable to non-controlling interests:		
– from continuing operations	(8)	(3)
– from discontinued operation	<u>–</u>	<u>(496)</u>
	(8)	(499)
	27,130	(7,316)
Total comprehensive income (loss) for the period attributable to:		
– owners of the Company	47,024	(26,971)
– non-controlling interests	(2)	(496)
	47,022	(27,467)
Earnings (loss) per share	8	
For continuing and discontinued operations		
– basic and diluted (<i>HK cents</i>)	0.37 cents	(0.10) cents
For continuing operations		
– basic and diluted (<i>HK cents</i>)	0.37 cents	(0.22) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>Notes</i>	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 <i>HK\$'000</i> (Audited)
Non-current assets			
Plant and equipment		8,630	10,418
Intangible asset		811	811
Interests in associates	<i>9</i>	–	85,143
Available-for-sale investments		13,721	13,787
Finance lease receivables	<i>10</i>	21,190	37,410
Loan and interest receivables	<i>11</i>	110,000	–
Deposit for acquisition of subsidiaries	<i>12</i>	100,000	–
Deferred tax asset		3,279	3,179
		257,631	150,748
Current assets			
Promissory note	<i>9(ii)</i>	90,000	–
Finance lease receivables	<i>10</i>	184,021	196,440
Loan and interest receivables	<i>11</i>	242,926	279,647
Trade and other receivables	<i>13</i>	149,877	133,567
Held for trading investments		14,352	115,266
Pledged bank deposit		57	54
Bank balances and cash		162,633	170,233
		843,866	895,207
Asset classified as held for sale		–	10,760
		843,866	905,967

	<i>Note</i>	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables	<i>14</i>	20,280	23,404
Tax liabilities		8,552	7,668
		<u>28,832</u>	<u>31,072</u>
Net current assets		<u>815,034</u>	<u>874,895</u>
Net assets		<u>1,072,665</u>	<u>1,025,643</u>
Capital and reserves			
Share capital		363,228	363,228
Share premium and reserves		709,482	662,458
Equity attributable to owners of the Company		1,072,710	1,025,686
Non-controlling interests		(45)	(43)
Total equity		<u>1,072,665</u>	<u>1,025,643</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated financial information of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis except for certain available-for-sale investments and held for trading investments which are measured at fair values.

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments (new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2017.

Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12</i>
Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. TURNOVER

Turnover represents revenue arising on (i) trading of goods including but not limited to radio systems, electronic appliance and fuel; (ii) gross proceeds from disposal of held for trading investments; (iii) interest income from money lending; (iv) consultancy income from finance leases; (v) interest income from finance leases; and (vi) provision of international air and sea freight forwarding services during the six months ended 30 June 2017.

	Six months ended	
	30.6.2017	30.6.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Trading of goods	204,100	242,408
Gross proceeds from disposal of held for trading investments	111,972	122,633
Interest income from money lending	18,445	3,370
Consultancy income from finance leases	11,998	13,117
Interest income from finance leases	5,971	4,784
Provision of international air and sea freight forwarding services	3,819	3,667
	356,305	389,979

4. REVENUE AND SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of goods sold or services delivered or provided. The directors of the Company 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:

- Trading of goods – Trading of goods including but not limited to radio system, electronic appliance and fuel in Hong Kong and the People's Republic of China (the "PRC").
- Money lending – Provision of money lending services in Hong Kong.
- Finance leasing – Finance leasing of plant and machinery in the PRC.
- International air and sea freight forwarding – Provision of international air and sea freight forwarding and logistics services to customers in Singapore and America.
- Securities trading – Trading of equity securities and dividend income from held for trading investments in Hong Kong.

The following tables present revenue and segment results regarding the Group's operating segments from continuing operations for the six months ended 30 June 2017 and 2016, respectively.

	Trading of goods <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Finance leasing <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>
Six months ended 30 June 2017 (unaudited)						
Turnover	<u>204,100</u>	<u>18,445</u>	<u>17,969</u>	<u>3,819</u>	<u>111,972</u>	<u>356,305</u>
Revenue:						
External	<u>204,100</u>	<u>18,445</u>	<u>17,969</u>	<u>3,819</u>	<u>-</u>	<u>244,333</u>
Segment profit (loss)	<u>1,163</u>	<u>16,011</u>	<u>11,574</u>	<u>108</u>	<u>(8,873)</u>	<u>19,983</u>
Share of losses of associates						(2,183)
Unallocated other income						31,116
Unallocated corporate expenses						<u>(17,279)</u>
Profit before tax (continuing operations)						<u><u>31,637</u></u>

	Trading of goods <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Finance leasing <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>
Six months ended 30 June 2016 (unaudited)						
Turnover	<u>242,408</u>	<u>3,370</u>	<u>17,901</u>	<u>3,667</u>	<u>122,633</u>	<u>389,979</u>
Revenue:						
External	<u>242,408</u>	<u>3,370</u>	<u>17,901</u>	<u>3,667</u>	<u>–</u>	<u>267,346</u>
Segment profit	<u>3,551</u>	<u>2,163</u>	<u>11,646</u>	<u>210</u>	<u>1,456</u>	19,026
Impairment loss on an available-for-sale investment						(4,761)
Share of losses of associates						(6,872)
Unallocated other income						89
Unallocated corporate expenses						<u>(20,080)</u>
Loss before tax (continuing operations)						<u>(12,598)</u>

Segments results represent the profit earned or the loss incurred by each segment without allocation of central administration costs, directors' salaries, impairment loss on an available-for-sale investment, share of losses of associates, net foreign exchange differences, bank interest income, gain on disposal of plant and equipment, gain on disposal of an associate, gain on disposal of assets classified as held for sale and sundry income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The following tables present assets and liabilities of the Group's operating segments as at 30 June 2017 and 31 December 2016:

	Trading of goods <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Finance leasing <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>
At 30 June 2017 (unaudited)						
Segment assets	<u>139,623</u>	<u>353,737</u>	<u>211,061</u>	<u>837</u>	<u>14,352</u>	719,610
Unallocated corporate assets						<u>381,887</u>
Consolidated assets						<u>1,101,497</u>
Segment liabilities	<u>163</u>	<u>-</u>	<u>7,833</u>	<u>1,615</u>	<u>-</u>	9,611
Unallocated corporate liabilities						<u>19,221</u>
Consolidated liabilities						<u>28,832</u>
At 31 December 2016 (audited)						
Segment assets	<u>123,171</u>	<u>280,458</u>	<u>240,430</u>	<u>1,081</u>	<u>115,266</u>	760,406
Unallocated corporate assets						285,549
Assets classified as held for sale						<u>10,760</u>
Consolidated assets						<u>1,056,715</u>
Segment liabilities	<u>244</u>	<u>-</u>	<u>7,817</u>	<u>1,803</u>	<u>-</u>	9,864
Unallocated corporate liabilities						<u>21,208</u>
Consolidated liabilities						<u>31,072</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than the equipment of head office, deferred tax asset, available-for-sale investments, interests in associates, certain deposits and other receivables, pledged bank deposit and bank balances and cash; and
- all liabilities are allocated to reportable segments other than certain other payables and tax liabilities.

5. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax is arrived at after charging (crediting):

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditors' remuneration	505	526
Cost of inventories recognised as expenses	199,550	235,767
Depreciation of plant and equipment	1,697	1,418
Staff costs (including directors' emoluments)	14,621	14,242
Minimum lease payments under operating lease in respect of office premises and staff quarters	8,225	8,567
Written off of plant and equipment	50	–
Net foreign exchange (gain) loss	(179)	113
Bank interest income	(108)	(89)
Government grant	(4)	(23)
	=====	=====

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	1,113	30
PRC Enterprise Income Tax ("EIT")	2,266	2,487
Withholding tax on distributed earnings of a PRC subsidiary (<i>Note</i>)	1,128	–
	<u>4,507</u>	<u>2,517</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2017.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, except for Rongjinda Finance Lease Company Limited* ("Rongjinda Finance"), is 25% from 1 January 2008 onwards.

Rongjinda Finance is established in Qianhai, Shenzhen, and the EIT rate applicable to Rongjinda Finance is 15% pursuant to Commercial Financial Circular No. 350/2014 from 1 January 2014 to 31 December 2020.

Note: According to the PRC New Corporate Income Tax Law, distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

7. DIVIDEND

No dividend has been proposed or paid by the Company for the six months ended 30 June 2017 and 2016 nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss)		
Profit (loss) for the period attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	<u><u>27,138</u></u>	<u><u>(6,817)</u></u>
	Six months ended	
	30.6.2017	30.6.2016
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	7,264,566	6,901,029
Effect of dilutive potential ordinary shares – share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u><u>7,264,566</u></u>	<u><u>6,901,029</u></u>

The computation of diluted earnings (loss) per share for the six months ended 30 June 2017 and 2016 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 of the Company's shares.

From continuing operations

The calculation of basic and diluted earnings (loss) per share from the continuing operations attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company	27,138	(6,817)
<i>Less:</i> Profit for the period from discontinued operation attributed to the owners of the Company	<u>–</u>	<u>8,295</u>
Profit (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	<u>27,138</u>	<u>(15,112)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation for the six months ended 30 June 2016 is 0.12 HK cents, based on the profit for the six months ended 30 June 2016 from the discontinued operation of approximately HK\$8,295,000 and the denominators detailed above for both basic and diluted (loss) earnings per share.

9. INTERESTS IN ASSOCIATES

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cost of investments in associates	–	123,507
Share of post-acquisition losses and other comprehensive losses	<u>–</u>	<u>(27,604)</u>
		95,903
Reclassified as assets classified as held for sale	<u>–</u>	<u>(10,760)</u>
	<u>–</u>	<u>85,143</u>

- (i) On 26 February 2016, Esteem Sun Limited (“Esteem Sun”), a wholly-owned subsidiary of the Company entered into a subscription contract (the “Subscription Contract”) with Pets Best Japan Co., Ltd. (“Pets Best”), a company incorporated in Japan with limited liability, pursuant to which Esteem Sun agreed to subscribe for 8,300 shares of Pets Best, representing 14.98% equity interest in Pets Best (the “Subscription”), at the consideration of Japanese Yen (“JPY”) 144,154,400, equivalent to approximately HK\$9,935,000. The transaction cost was approximately HK\$2,019,000.

The Subscription was completed on 1 March 2016. Since the Group designated a person appointed as a director in the board of directors of Pets Best under the provisions stated in the Subscription Contract, the Group is considered to have ability to exercise significant influence over Pets Best. Pets Best was then considered as an associate of the Group and was accounted for using equity method.

Subject to certain conditions specified in the Subscription Contract, Esteem Sun has an option (the “Put Option”) to request the major shareholder of Pets Best (the “Guarantor”) to purchase back Esteem Sun’s shareholding in Pets Best at a pre-determined price based on a formula. By a notice dated 20 October 2016, Esteem Sun exercised the Put Option.

The abovementioned investment in associate, was reclassified as assets held for sale at the date on the repurchase request made. Esteem Sun’s shareholding in Pets Best was repurchased by the Guarantor on 20 March 2017 at a consideration of approximately JPY159,241,000 (equivalent to approximately HK\$11,041,000). The disposal was completed on 20 March 2017 accordingly and resulted in the Group recognising a gain on disposal of asset classified as held for sale of approximately HK\$281,000 during the six months ended 30 June 2017.

- (ii) On 13 March 2017, Kang Yong International Limited (“Kang Yong”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the major shareholder of East Favor Global Investment Limited (“East Favor”), to dispose of its 49% equity interest in East Favor at a total consideration of HK\$120,000,000. The consideration has been satisfied by (i) a cash consideration of HK\$30,000,000 and (ii) a promissory note consideration of HK\$90,000,000, bearing annual interest of 6% per annum and repayable on the first anniversary date after issuance. The disposal was completed on 20 March 2017 and resulted in the Group recognising a gain on disposal of an associate of approximately HK\$29,420,000 during the six months ended 30 June 2017.

10. FINANCE LEASE RECEIVABLES

The finance leases are secured by the motor vehicles and other plant and machinery. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Finance leases receivables	227,069	256,034
<i>Less:</i> allowance for impairment of finance lease receivables	<u>(21,858)</u>	<u>(22,184)</u>
Finance leases receivables, net	<u>205,211</u>	<u>233,850</u>
Analysed for reporting purposes as:		
– non-current assets	21,190	37,410
– current assets	<u>184,021</u>	<u>196,440</u>
	<u>205,211</u>	<u>233,850</u>

	Present value of minimum lease			
	Minimum lease payments		payments	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Finance lease receivables comprise:				
Within one year	186,611	204,480	184,021	196,440
After one year but within two years	21,848	31,746	21,190	30,263
After two years but within five years	<u>–</u>	<u>7,303</u>	<u>–</u>	<u>7,147</u>
	208,459	243,529	205,211	233,850
<i>Less:</i> unearned interest income	<u>(3,248)</u>	<u>(9,679)</u>	<u>–</u>	<u>–</u>
Present value of minimum lease payment receivables	<u>205,211</u>	<u>233,850</u>	<u>205,211</u>	<u>233,850</u>

Effective interest rates of the above finance leases range from 5.1% to 6% (31 December 2016: 5.1% to 6%) 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 the guarantor with strong financial status where necessary.

As at 30 June 2017, finance lease receivables of approximately RMB1,315,000, equivalent to approximately HK\$1,514,000 (31 December 2016: approximately RMB20,000,000, equivalent to approximately HK\$22,334,000) was past due. Included in the carrying amount of the above finance lease receivables as at 30 June 2017 is an individually impaired receivable of approximately RMB18,981,000, equivalent to approximately HK\$21,858,000 (31 December 2016: approximately RMB18,981,000, equivalent to approximately HK\$22,184,000) which impairment was made due to a customer's default in payment. The Group has taken legal actions against this customer and considered the legal opinion from an independent legal adviser during impairment assessment. Management closely monitors the credit quality of finance lease receivables and considers the finance lease receivables that are not impaired relate to finance lessees for whom there was no recent history of default. As at 30 June 2017, the age of the finance lease receivables was within two years (31 December 2016: within two years) based on the effective dates of the relevant lease contracts.

11. LOAN AND INTEREST RECEIVABLES

	30.6.2017	31.12.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Loan receivables:		
– secured	80,000	80,000
– unsecured	260,000	190,000
Interest receivables	12,926	9,647
	<u>352,926</u>	<u>279,647</u>
Analysed for reporting purposes as:		
– non-current assets	110,000	–
– current assets	242,926	279,647
	<u>352,926</u>	<u>279,647</u>

Effective interest rates of the above loans range from 8% to 15% (31 December 2016: 8% to 15%) per annum.

The secured loans are secured by share or assets charges provided by borrowers. The loans advanced to the borrowers under the Group's money lending business had loan periods from 6 to 18 months (31 December 2016: 6 to 18 months). The loans provided to borrowers bore interest rate ranging from 8% – 15% per annum (31 December 2016: 8% – 15%), 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 or on maturity.

The following is an ageing analysis of loan and interest receivables, presented based on the dates which loans are granted to borrowers and interests are accrued.

	30.6.2017	31.12.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
1 – 90 days	8,485	126,586
91 – 180 days	192,904	2,495
181 – 365 days	71,537	150,566
Over 365 days	80,000	–
	<u>352,926</u>	<u>279,647</u>

12. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 24 January 2017, China Best Financial Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party of the Group to acquire the entire issued share capital of Zhongrong International Securities Company Limited, Zhongrong International Futures Co., Limited, Zhongrong International Investment Consulting Company Limited, Zhongrong International Asset Management Company Limited and Zhongrong International Corporate Finance Limited (collectively, the "Target Companies") at a tentative consideration of HK\$200,000,000 (subject to adjustment) ("the Acquisition"). As at 30 June 2017, the Group had already paid a deposit of HK\$100,000,000 and had a capital commitment of HK\$100,000,000. The Acquisition was completed on 14 August 2017. Details of the Acquisition are set out in the announcements of the Company dated 24 January 2017 and 14 August 2017.

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for bad debt and doubtful debts) with the following ageing analysis presented based on invoice date, which approximates the respective revenue recognition date:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
0 – 30 days	13,436	1,506
31 – 60 days	60,498	58,472
61 – 90 days	1,095	65,697
Over 90 days	67,247	2,136
	<hr/>	<hr/>
Trade receivables	142,276	127,811
Prepayments	1,594	1,702
Deposits and other receivables	6,007	4,054
	<hr/>	<hr/>
	149,877	133,567
	<hr/> <hr/>	<hr/> <hr/>

The Group allows an average credit period from 30 to 180 days (31 December 2016: 30 to 180 days) to its trade customers.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
0 – 30 days	215	423
31 – 60 days	17	3
61 – 90 days	–	6
Over 90 days	625	605
	<hr/>	<hr/>

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	857	1,037
Earnest money from finance lease receivables	7,157	6,946
Value-added tax payable	465	500
Accrued charges	4,921	8,300
Other payables	6,880	6,621
	<u>20,280</u>	<u>23,404</u>

The average credit period on purchases of goods is normally ranging from 30 to 90 days (31 December 2016: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. CAPITAL COMMITMENTS

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Acquisition of subsidiaries (<i>note 12</i>)	<u>100,000</u>	<u>–</u>

16. EVENT AFTER THE REPORTING PERIOD

On 14 August 2017, the Acquisition (note 12) was completed. The Target Companies are principally engaged in the provision of various regulated financial services, including securities and futures dealing, margin financing, asset management and stock broking with the relevant licences granted by the Securities and Futures Commission of Hong Kong. Further details regarding the transaction are set out in the announcements of the Company dated 24 January 2017 and 14 August 2017. The Group obtained control over the business on the date of completion of the Acquisition, which shall be accounted for as acquisition of a business combination.

The initial accounting for the acquisition of the Target Companies remained incomplete pending the determination of fair values of certain of their identifiable assets. In the opinion of the directors of the Company, these assets will represent a substantial portion of the value of the net identifiable assets and liabilities of the Target Companies and will have a determining effect on the amount of goodwill or excess over costs to be recognised. As such, the assets and liabilities information of the Target Companies as at the acquisition date are not disclosed in these condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Six months ended	
	30.6.2017	30.6.2016
	<i>HK\$'M</i>	<i>HK\$'M</i>
Financial Results Highlight		
Continuing operations		
Turnover	356.3	390.0
Gross profit	42.0	29.0
Other operating (loss) profit (net)	(5.1)	4.0
Total expenses	(32.7)	(34.0)
Gain on disposal of asset classified as held for sale	0.3	–
Gain on disposal of an associate	29.4	–
Impairment loss on an available-for-sale investment	–	(4.8)
Share of losses of associates	(2.2)	(6.9)
Net profit (loss) before taxation & non-controlling interests	31.6	(4.8)
– from continuing operations	31.6	(12.6)
– from discontinued operation	–	7.8
Profit (loss) for the period attributable to owners of the Company	27.1	(6.8)
– from continuing operations	27.1	(15.1)
– from discontinued operation	–	8.3
	30.6.2017	31.12.2016
	<i>HK\$'M</i>	<i>HK\$'M</i>
Extract of Financial Position		
Total assets	1,101.5	1,056.7
Total liabilities	(28.8)	(31.1)
Net current assets	815.0	874.9
Bank balances and cash	162.6	170.2
Net assets	1,072.7	1,025.6

Overview

For the six months ended 30 June 2017, the Group's turnover was approximately HK\$356.3 million, representing a decrease of approximately 8.6% as compared with approximately HK\$390.0 million in last corresponding period. The Group recorded a gross profit of approximately HK\$42.0 million for the six months ended 30 June 2017, representing an increase of approximately 44.8% compared with approximately HK\$29.0 million in last corresponding period. The net profit for the period attributable to owners of the Company was approximately HK\$27.1 million, compared with the net loss of approximately HK\$6.8 million in last corresponding period. The net profit was mainly attributable to, among other things, gain on disposal of an associate of approximately HK\$29.4 million recognised in the first half of 2017.

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 vehicle and other tangible assets. For the six months ended 30 June 2017, the turnover of the Group's finance leasing business amounted to approximately HK\$18.0 million (30 June 2016: HK\$17.9 million) whereas segment profit of approximately HK\$11.6 million was achieved (30 June 2016: HK\$11.6 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 six months ended 30 June 2017, the turnover of the Group's money lending business amounted to approximately HK\$18.4 million (30 June 2016: HK\$3.4 million). Corresponding segment profit of approximately HK\$16.0 million was made for the six months ended 30 June 2017 (30 June 2016: HK\$2.2 million).

Trading Business

The Group is trading goods, including fuel oil, radio system and electronic appliance, in the PRC and Hong Kong. For the six months ended 30 June 2017, the turnover of the Group's trading business amounted to approximately HK\$204.1 million (30 June 2016: approximately HK\$242.4 million) whereas the gross profit was approximately HK\$4.6 million (30 June 2016: approximately HK\$6.6 million). The Group recorded a profit of approximately HK\$1.2 million (30 June 2016: approximately HK\$3.6 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 six months ended 30 June 2017, the turnover of the Group's securities investment business amounted to approximately HK\$112.0 million (30 June 2016: approximately HK\$122.6 million). During the period, the Group recorded a realised loss of approximately HK\$3.3 million (30 June 2016: realised loss of approximately HK\$7.6 million) and a net unrealised fair value loss of the listed securities of approximately HK\$3.7 million (30 June 2016: net unrealised gain of approximately HK\$10.1 million). For the six months ended 30 June 2017, the Group did not receive any dividend income (30 June 2016: nil). As at 30 June 2017, the Group held trading securities with value of approximately HK\$14.4 million (31 December 2016: approximately HK\$115.3 million).

Freight Forwarding Business

This segment engages in the provision of international air and sea freight forwarding and logistic services to customers in Singapore and America. For the six months ended 30 June 2017, the turnover of the Group's freight forwarding business amounted to approximately HK\$3.8 million (30 June 2016: approximately HK\$3.7 million). Corresponding gross profit of approximately HK\$1.0 million and segment profit of approximately HK\$0.1 million were made for the six months ended 30 June 2017 respectively (30 June 2016: gross profit of approximately HK\$1.1 million and segment profit of approximately HK\$0.2 million).

OUTLOOK

On 14 August 2017, the Group has completed the acquisition of 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. This is one of significant steps taken by the Group for transforming its principal activities into the financial service sector. After completion of the aforesaid transaction, the Group is eligible to carry on regulated business activities governed by the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), namely, Type 1 regulated activity (dealing in securities), Type 2 regulated activity (dealing in futures contracts), Type 4 regulated activity (advising on securities), Type 5 regulated activity (advising on futures contracts), and Type 9 regulated activity (asset management). It is expected that these new business units will enjoy substantial growth opportunity by leveraging resources and the network of the Group and could provide a diversified source of income for the Group.

In the second half of 2017, the Group will continue reviewing its strategy of and resources allocation for respective business segments and developments. The Group will prioritise its resources into growing businesses. Apart from existing business operation, the Group will from time to time explore investment opportunities for business development of the Group in the financial sector. 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.

LIQUIDITY AND CASHFLOW RESOURCES

As at 30 June 2017, the equity and net current assets of the Group amounted to approximately HK\$1,072.7 million (31 December 2016: approximately HK\$1,025.6 million) and HK\$815.0 million (31 December 2016: approximately HK\$874.9 million) respectively. On the same date, the Group had bank balances and cash of approximately HK\$162.6 million (31 December 2016: approximately HK\$170.2 million) and the current ratio was 29.27 (31 December 2016: 29.16). As at 30 June 2017 and 31 December 2016, the Group had no interest bearing borrowings.

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

PLEDGE OF ASSETS

As at 30 June 2017 and 31 December 2016, none of the Group's securities were pledged to brokers to secure the margin loan. As at 30 June 2017 and 31 December 2016, no other significant assets were pledged to banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE

During the six months ended 30 June 2017, the Group incurred approximately HK\$0.9 million (30 June 2016: approximately HK\$1.7 million) as capital expenditure mainly in respect of plant and equipment situated in both Hong Kong and PRC offices.

CAPITAL COMMITMENTS

As at 30 June 2017, the Group had capital commitments of HK\$100 million contracted but not provided in relation to acquisition of subsidiaries.

As at 31 December 2016, the Group had no material capital commitments.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2017, the Group held available-for-sale investments of approximately HK\$13.7 million (31 December 2016: approximately HK\$13.8 million), and held for trading investments of approximately HK\$14.4 million (31 December 2016: approximately HK\$115.3 million). Further information of the held for trading investments as at 30 June 2017 is set out below.

Company Name/Stock Code	Number of shares held		% of shareholding		Unrealised loss on fair		Fair value		% of Net Assets		Dividend received		Total investment cost
					Realised loss	value change					(HK\$'000)	(HK\$'000)	
	('000)		(%)		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(%)	(Unaudited)	(Unaudited)	(Unaudited)	
	As at 30.6.2017	As at 31.12.2016	As at 30.6.2017	As at 31.12.2016	For the period ended 30.6.2017	For the period ended 30.6.2017	As at 30.6.2017	As at 31.12.2016	As at 30.6.2017	As at 31.12.2016	For the period ended 30.6.2017	For the period ended 30.6.2016	As at 30.6.2017
Elegance Optical International Holdings Limited. (907) ("EOIH")	7,800	-	2.41	-	-	(3,652)	14,352	-	1.34	-	-	-	18,004
Others	-	-	-	-	(3,294)	-	-	115,266	-	11.24	-	-	-
Total					(3,294)	(3,652)	14,352	115,266	1.34	11.24	-	-	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 manufacturing and trading of optical frames and sunglasses, property investment and investment in debts and securities.

As at 30 June 2017 and 31 December 2016, all financial assets at fair value through profit or loss represented listed securities in Hong Kong. As at 30 June 2017, the Group recorded an unrealised fair value loss of approximately HK\$3.7 million in respect of investment in listed securities held for trading.

The Group's available-for-sale investments as at 30 June 2017 comprised of (i) listed equity investment in London at a fair value of approximately HK\$6.2 million; and (ii) unlisted equity securities in Hong Kong at cost less impairment loss, i.e. the carrying amount of approximately HK\$7.5 million. During the period, a fair value loss on the available-for-sale investments in the amount of approximately HK\$66,000 was recognised in other comprehensive income for the period.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets and transactions are principally denominated in Hong Kong dollars, Renminbi and US dollars. During the period under review, there was no significant fluctuation in the exchange rates of Hong Kong dollars and US dollars whereas Renminbi had an upward adjustment, resulting in an exchange gain of approximately HK\$12.4 million recognised as other comprehensive income 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.

EMPLOYEES AND HUMAN RESOURCES POLICY

As at 30 June 2017, the Group had 45 staff. The total staff costs incurred in continuing operations for the period end 30 June 2017 was approximately HK\$14.6 million (30 June 2016: approximately HK\$14.2 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, among other, directors (including non-executive directors and independent non-executive directors) and employees of the Company and any of its subsidiaries or associated companies, to subscribe for shares of the Company. During the period under review, no options were granted under the 2012 Share Option Scheme.

MATERIAL ACQUISITION OR DISPOSAL

- (i) On 24 January 2017, a wholly-owned subsidiary of the Company, China Best Financial Holdings Limited (the “Purchaser”), ZR International Holding Company Limited (the “Vendor”) and Mr. Wu Qiaofeng, both independent third parties, entered into an agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in each of the target companies at a tentative consideration of HK\$200,000,000 (subject to adjustment), which will be satisfied by cash. The principal activities of the target companies are securities margin financing, securities brokerage services and futures dealing services. The acquisition was completed on 14 August 2017.

Further details of the acquisition are set out in the Company’s announcements dated 24 January 2017 and 14 August 2017.

- (ii) On 13 March 2017, Kang Yong, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with the purchaser, Honghu Group Limited, and the guarantor, Mr. Deng Junjie, to sell its shareholding in East Favor, representing 49% of the entire issued capital of East Favor, at the consideration of HK\$120,000,000. The disposal was completed on 20 March 2017.

Further details of the disposal are set out in the Company’s announcement dated 13 March 2017.

- (iii) On 13 March 2017, Rongjinda Finance, a wholly-owned subsidiary of the Company and two independent third parties entered into an agreement pursuant to which Rongjinda Finance agreed to purchase and the two independent third parties agreed to sell the entire equity interest in a company incorporated in the PRC, which is allowed to carry on businesses of assets management and advisory services in relation to corporate restructure, merge and acquisition, at a token consideration of RMB3. The transaction was completed on 14 March 2017. Upon the completion and as at the date of this announcement, it has not commenced business. According to its articles of association, Rongjinda Finance as its sole shareholder is committed to inject capital of a total of RMB10,000,000 (approximately HK\$11,516,000). As at 30 June 2017, RMB2,500,000 (approximately HK\$2,879,000) was injected as its paid up capital.
- (iv) During the reporting period, an investment in associate with carrying amount of approximately HK\$10,760,000 classified in assets held for sale as at 31 December 2016 was repurchased by an existing major shareholder of the associate and the proceeds of approximately JPY159,241,000 (equivalent to approximately HK\$11,041,000) was received on 20 March 2017.

Save as disclosed above, there was no other material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the six months ended 30 June 2017.

FUND RAISING ACTIVITIES

The Company has not conducted any fund raising activities during the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

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 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for establishing and maintaining the Group's risk management and internal control systems to safeguard shareholders' investment and reviewing the effectiveness of such on an annual basis pursuant to Code Provision C.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code").

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 2017 in compliance with the CG Code.

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.

From 1 January to 3 April 2017, the role of the chairman was performed by Mr. Tan Xiangdong, who provided leadership for the Board and was responsible for chairing meetings, managing the operations of the Board and ensuring that all major and appropriate issues were discussed by the Board in a timely and constructive manner. He was also responsible for the strategic management of the Group and for formulating the Group's overall corporate direction and focus. Since the resignation of Mr. Tan Xiangdong as the chairman and the executive director of the Company on 3 April 2017, the Company has not appointed a new chairman of the Board. Until the appointment of the new chairman of the Board, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board.

The Company currently has no chief executive officer as the Board has not identified a suitable candidate to fill this causal vacancy. However, the Board believes that the existing structure together with the extensive experience of the Board is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

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. The Group continues to review the need for an internal audit function annually.

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, one executive director and three independent non-executive directors of the Company were unable to attend the Company's annual general meeting held on 1 June 2017.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Ru Xiangang, Mr. Liu Haiping and Mr. Liu Tonghui.

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 2017 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2017.

PUBLICATION OF INTERIM REPORT

The interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cbgroup.com.hk).

The 2017 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
Mr. Li Yang
Deputy Chairman

Hong Kong, 29 August 2017

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Li Yang, Mr. Liu Wei, Mr. Chen Wei, and Mr. Fan Jie and three independent non-executive directors, namely, Mr. Liu Haiping, Mr. Liu Tonghui and Mr. Ru Xiangan.