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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 2014**

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 2014 together with the comparative figures for the six months ended 30 June 2013.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2014*

		<b>Six months ended</b>	
		<b>30.6.2014</b>	30.6.2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Turnover	3	<u><b>36,345</b></u>	<u>45,169</u>
Revenue	4	<b>12,228</b>	40,857
Cost of sales		<u><b>(11,691)</b></u>	<u>(43,648)</u>
Gross profit (loss)		<b>537</b>	(2,791)
Other income		<b>1,128</b>	1,594
Selling and distribution expenses		–	(3,385)
Administrative and other expenses		<b>(7,839)</b>	(12,020)
Realised loss on investments held for trading		<b>(3,179)</b>	(1,308)
Fair value changes on investments held for trading		–	(4,343)
Finance costs	5	<u><b>(1,265)</b></u>	<u>(1,265)</u>

\* *For identification purpose only*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)**

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30.6.2014</b>	30.6.2013
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Loss before tax	6	<b>(10,618)</b>	(23,518)
Income tax expense	7	<u>–</u>	<u>(145)</u>
Loss for the period		<u><b>(10,618)</b></u>	<u>(23,663)</u>
<b>Other comprehensive (expense) income for the period:</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(924)</u>	<u>2,739</u>
Total comprehensive expense for the period		<u><b>(11,542)</b></u>	<u>(20,924)</u>
Loss for the period attributable to:			
Owners of the Company		<b>(8,681)</b>	(16,763)
Non-controlling interests		<u><b>(1,937)</b></u>	<u>(6,900)</u>
		<u><b>(10,618)</b></u>	<u>(23,663)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		<b>(9,176)</b>	(14,467)
Non-controlling interests		<u><b>(2,366)</b></u>	<u>(6,457)</u>
		<u><b>(11,542)</b></u>	<u>(20,924)</u>
Loss per share	9		
– basic and diluted		<u><b>(0.36 HK cents)</b></u>	<u>(0.69 HK cents)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	<i>Notes</i>	<b>30.6.2014</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2013 <i>HK\$'000</i> <b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		22,173	23,803
Prepaid lease payment		12,148	12,536
Available-for-sale investments		7,500	7,500
Goodwill		–	–
		<b>41,821</b>	43,839
<b>Current assets</b>			
Prepaid lease payment		276	282
Inventories		6,846	15,002
Trade and other receivables	10	36,001	94,627
Held for trading investments		–	22,994
Pledged bank deposit		62	61
Bank balances and cash		248,418	169,953
		<b>291,603</b>	302,919
<b>Current liabilities</b>			
Trade and other payables	11	31,683	34,502
Loan from a non-controlling interest of a subsidiary		42,454	41,189
Tax liabilities		11,014	11,252
		<b>85,151</b>	86,943
<b>Net current assets</b>		<b>206,452</b>	215,976
<b>Total assets less current liabilities and net assets</b>		<b>248,273</b>	259,815
<b>Capital and reserves</b>			
Share capital		121,584	121,584
Reserves		138,605	147,781
Equity attributable to owners of the Company		<b>260,189</b>	269,365
Non-controlling interests		<b>(11,916)</b>	(9,550)
<b>Total equity</b>		<b>248,273</b>	259,815

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“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 (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. PRINCIPAL ACCOUNTING POLICIES

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

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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Int 21	Levies

\* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of the above new and revised 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 and amendments that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvement to HKFRSs 2010-2012 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agricultural: Bearer Plant <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014 with earlier application permitted.

<sup>2</sup> Available for application – the mandatory effective date will be determined when the outstanding phrases of HKFRS 9 are finalised.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017 with earlier application permitted.

Save as disclosed in the annual report for the year ended 31 December 2013, 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.

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Manufacture and sales of coal	<b>9,105</b>	36,347
Provision of international air and sea freight forwarding services	<b>2,958</b>	4,231
Gross proceeds from disposal of investments held for trading	<b>24,117</b>	4,312
Dividend income from investments held for trading	<b>165</b>	279
	<b>36,345</b>	45,169

#### 4. REVENUE AND SEGMENTAL INFORMATION

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

	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Manufacture and sales of coal <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2014</b>				
<b>(unaudited)</b>				
Turnover	<u>2,958</u>	<u>24,282</u>	<u>9,105</u>	<u>36,345</u>
Revenue				
External	<u>2,958</u>	<u>165</u>	<u>9,105</u>	<u>12,228</u>
Segment profit (loss)	<u>62</u>	<u>(3,014)</u>	<u>(1,667)</u>	<u>(4,619)</u>
Unallocated other income				1,111
Unallocated corporate expenses				(5,845)
Finance costs				<u>(1,265)</u>
Loss before tax				<u>(10,618)</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>
<b>Six months ended 30 June 2013</b>				
<b>(unaudited)</b>				
Turnover	<u>4,231</u>	<u>4,591</u>	<u>36,347</u>	<u>45,169</u>
Revenue				
External	<u>4,231</u>	<u>279</u>	<u>36,347</u>	<u>40,857</u>
Segment profit (loss)	<u>245</u>	<u>(5,371)</u>	<u>(13,403)</u>	<u>(18,529)</u>
Unallocated other income				461
Unallocated corporate expenses				(4,185)
Finance costs				<u>(1,265)</u>
Loss before tax				<u>(23,518)</u>

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

	<b>International air and sea freight forwarding <i>HK\$'000</i></b>	<b>Securities trading <i>HK\$'000</i></b>	<b>Manufacture and sales of coal <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>At 30 June 2014 (unaudited)</b>				
Segment assets	<u>857</u>	<u>–</u>	<u>75,348</u>	76,205
Unallocated corporate assets				<u>257,219</u>
Total assets				<u>333,424</u>
	<b>International air and sea freight forwarding <i>HK\$'000</i></b>	<b>Securities trading <i>HK\$'000</i></b>	<b>Manufacture and sales of coal <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>At 31 December 2013 (audited)</b>				
Segment assets	<u>1,037</u>	<u>22,994</u>	<u>93,582</u>	117,613
Unallocated corporate assets				<u>229,145</u>
Total assets				<u>346,758</u>
	<b>International air and sea freight forwarding <i>HK\$'000</i></b>	<b>Securities trading <i>HK\$'000</i></b>	<b>Manufacture and sales of coal <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>At 30 June 2014 (unaudited)</b>				
Segment liabilities	<u>1,730</u>	<u>–</u>	<u>27,282</u>	29,012
Unallocated corporate liabilities				<u>56,139</u>
Total liabilities				<u>85,151</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 2013 (audited)				
Segment liabilities	<u>2,037</u>	<u>–</u>	<u>23,600</u>	25,637
Unallocated corporate liabilities				<u>61,306</u>
Total liabilities				<u>86,943</u>

## 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest on loan from a non-controlling interest of a subsidiary wholly repayable within five years	<u>1,265</u>	<u>1,265</u>

## 6. LOSS BEFORE TAX

	<b>Six months ended</b>	
	<b>30.6.2014</b>	30.6.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Loss before tax has been arrived at after charging (crediting) the following items:		
Auditors' remuneration	491	516
Depreciation of property, plant and equipment	1,548	3,142
Net exchange loss (gain)	1,026	(1,061)
Amortisation of prepaid lease payment	138	67
Employee benefit expenses (including directors' remuneration)	3,491	3,643
Cost of inventories recognised as expenses	9,598	40,419
Minimum lease payments under operating lease charges	954	966
Compensation paid for cancellation of a sale agreement (included in administrative and other expenses)	–	2,057
Interest income (included in other income)	<u>(769)</u>	<u>(493)</u>



## 7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	–	–
	<hr/>	<hr/>
	–	–
Under provision in prior years:		
PRC Enterprise Income Tax	–	145
	<hr/>	<hr/>
	–	145
	<hr/>	<hr/>

No provision for PRC Enterprise Income Tax had been made for the six months ended 30 June 2014 and 2013 as the Group had no assessable profit for both interim periods.

No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2014 and 2013 as the Group had no assessable profit for both interim periods.

## 8. DIVIDENDS

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 2013: Nil).

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period ended 30 June 2014 is based on the following data:

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share, being loss for the period attributable to the owners of the Company	<hr/> <b>8,681</b> <hr/>	<hr/> 16,763 <hr/>

	<b>Six months ended</b>	
	<b>30.6.2014</b> <b>(unaudited)</b>	30.6.2013 (unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b><u>2,431,670,845</u></b>	<u>2,431,670,845</u>

The computation of diluted loss per share for the six months ended 30 June 2014 and 2013 does not assume the exercise of the Group's outstanding share options because the exercise price of those options is higher than the average market price of the Company's share.

## **10. TRADE AND OTHER RECEIVABLES**

The Group allows an average credit period normally ranging from 30 days to 180 days to its trade customers.

The following is an aged analysis of trade receivables by age, presented based on the invoice date, which approximate the revenue recognition date, net of allowance for doubtful debt.

	<b>30.6.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2013 HK\$'000 (audited)
0 – 30 days	<b>11,082</b>	686
31 – 60 days	<b>261</b>	134
61 – 90 days	<b>33</b>	4,021
91 – 120 days	<b>–</b>	954
121 – 180 days	<b>3</b>	1,445
Over 180 days	<b><u>22,885</u></b>	<u>22,305</u>
Trade receivables	<b>34,264</b>	29,545
Bills receivables	<b>–</b>	12,888
Deposits, prepayments and other receivables	<b><u>1,737</u></b>	<u>52,194</u>
	<b><u>36,001</u></b>	<u>94,627</u>

## 11. TRADE AND OTHER PAYABLES

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

	<b>30.6.2014</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2013 <i>HK\$'000</i> (audited)
0 – 30 days	<b>253</b>	593
31 – 60 days	<b>16</b>	59
61 – 90 days	<b>12</b>	112
Over 90 days	<b>9,448</b>	13,443
Trade payables	<b>9,729</b>	14,207
Accrued charges and other payables	<b>21,954</b>	20,295
	<b>31,683</b>	34,502

## 12. CONTINGENCY

On 17 April 2013, the Company, as one of the respondents, and certain of its former directors were served a petition (the “Petition”) by the Securities and Futures Commission in relation to certain past transactions of the Group. The hearing for preliminary directions relating to the Petition was heard in the High Court on 31 July 2013. As set out in the announcement of the Company dated 19 June 2014, pursuant to an order made by the High Court on 9 May 2014, the parties attended the office of Deputy Clerk of Court (Civil), High Court on 18 June 2014, at which a date for the substantive hearing of the Petition has been set down by the parties, and will be held from 2 September 2015 to 8 September 2015. Based on the opinion of the independent legal adviser of the Company, the directors of the Company consider that the Petition does not have significant financial and operating impact on the Group.

Details of the Petition are set out in the announcements of the Company dated 18 April 2013, 31 July 2013 and 19 June 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Highlights

	Six months ended 30 June	
	2014	2013
	<i>HK\$'M</i>	<i>HK\$'M</i>
<b>Financial Results Highlight</b>		
Turnover	<b>36.3</b>	45.2
Gross profit (loss)	<b>0.5</b>	(2.8)
Other operating loss (net)	<b>(2.1)</b>	(4.1)
Total expenses	<b>(9.1)</b>	(16.7)
Net loss before taxation & non-controlling interests	<b>(10.6)</b>	(23.5)
Net loss after taxation & non-controlling interests	<b>(8.7)</b>	(16.8)
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<i>HK\$'M</i>	<i>HK\$'M</i>
<b>Extract of Financial Position</b>		
Total assets	<b>333.4</b>	346.8
Total liabilities	<b>(85.2)</b>	(86.9)
Net current assets	<b>206.5</b>	216.0
Bank balances and cash	<b>248.4</b>	170.0
Total net assets	<b>248.3</b>	259.8

### Overview

For the six months ended 30 June 2014, the Group's turnover was approximately HK\$36.3 million, representing a decrease of 19.7% as compared with HK\$45.2 million in last corresponding period. The Group recorded a slight gross profit of approximately HK\$0.5 million for the six months ended 30 June 2014, compared with a gross loss of approximately HK\$2.8 million in last corresponding period. Finally, the net loss for the period attributable to equity shareholders of the Company reached approximately HK\$8.7 million, representing a decrease of 48.2% as compared with the net loss of approximately HK\$16.8 million in last corresponding period.

## **BUSINESS AND FINANCIAL REVIEW**

### **Coal Business**

For the six months ended 30 June 2014, the turnover of the Group's coal business dropped to approximately HK\$9.1 million (30 June 2013: approximately HK\$36.3 million) in light of the continued decline in demand for coal products in the PRC market. On the other hand, the Group was able to bargain with suppliers to achieve competitive price of raw coals during the market downturn. As a result, the Group managed to brought down the gross loss of this core business to approximately HK\$0.5 million for the six months ended 30 June 2014 (30 June 2013: approximately HK\$4.1 million). Coupled with the effect of cost control measures, the loss of this business segment was narrowed to approximately HK\$1.7 million for the six months ended 30 June 2014 (30 June 2013: approximately HK\$13.4 million).

### **Freight Forwarding Business**

For the six months ended 30 June 2014, the turnover of the Group's freight forwarding business amounted to approximately HK\$3.0 million (30 June 2013: approximately HK\$4.2 million). Corresponding gross profit of approximately HK\$0.9 million and segment profit of approximately HK\$62,000 were made for the six months ended 30 June 2014 respectively (30 June 2013: gross profit of approximately HK\$1.0 million and segment profit of approximately HK\$245,000). There was no significant change in the Group's strategy and plan in its freight forwarding business.

### **Securities Investment Business**

For the six months ended 30 June 2014, the turnover of the Group's securities investment business amounted to approximately HK\$24.3 million (30 June 2013: approximately HK\$4.6 million). During the six-month period, the Group recorded a realised loss of approximately HK\$3.2 million (30 June 2013: approximately HK\$1.3 million). As the Group did not hold any trading securities as at 30 June 2014 (31 December 2013: holding trading securities of approximately HK\$23.0 million), it did not have unrealised loss or unrealised profit of the listed securities as at 30 June 2014 (30 June 2013: unrealised loss of approximately HK\$4.3 million). For the six months ended 30 June 2014, the Group received dividend income of approximately HK\$0.2 million (30 June 2013: approximately HK\$0.3 million).

## **LIQUIDITY AND CASHFLOW RESOURCES**

As at 30 June 2014, the equity and net current assets of the Group amounted to approximately HK\$248.3 million (31 December 2013: approximately HK\$259.8 million) and HK\$206.5 million (31 December 2013: approximately HK\$216.0 million) respectively. On the same date, the Group had bank balances and cash of approximately HK\$248.4 million (31 December 2013: HK\$170.0 million) and the current ratio was 3.42 (31 December 2013: 3.48).

As at 30 June 2014, the gearing ratio of the Group was 0.11 (31 December 2013: 0.11). The gearing ratio is measured on the basis of interest bearing borrowings over total assets. As at 30 June 2014, the interest bearing borrowings and total asset of the Group amounted to approximately HK\$36.5 million (31 December 2013: approximately HK\$36.5 million) and HK\$333.4 million (31 December 2013: approximately HK\$346.8 million) respectively.

The Group kept strong cash position. The Group has sufficient and readily available financial resources for both general working capital purpose and future expansion.

## **PLEDGE OF ASSETS**

As at 30 June 2014 and 2013, none of the Group's securities were pledged to brokers to secure the margin loan. As at 30 June 2014 and 2013, no other significant assets were pledged to banks to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2014 and 31 December 2013, the Group had no material contingent liabilities.

## **CAPITAL EXPENDITURE**

During the six months ended 30 June 2014, the Group incurred approximately HK\$0.8 million as capital expenditure mainly in respect of property, plant and equipment situated in the PRC factory.

During the six months ended 30 June 2013, the Group incurred approximately HK\$12.1 million as capital expenditure mainly in respect of an acquisition of a land use right classified under prepaid lease payment which was funded by the Group's internal resources.

## **CAPITAL COMMITMENTS**

The Group had no material capital expenditure contracted for but not provided in the consolidated financial statements as at 30 June 2014.

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

## **SIGNIFICANT INVESTMENTS HELD**

As at 30 June 2014, the Group held available-for-sale investments of approximately HK\$7.5 million (31 December 2013: approximately HK\$7.5 million) and did not hold any trading securities (31 December 2013: holding trading securities of approximately HK\$23.0 million).

## **FOREIGN CURRENCY EXPOSURE**

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

## **EMPLOYEE AND HUMAN RESOURCES POLICY**

As at 30 June 2014, the Group had approximately 96 staff. The remuneration of employees was determined with reference to the market circumstances, the Group’s performance as well as individual qualification and experience. In accordance with the Listing Rules, the staff of the Company’s accounting and financial reporting function have adequate training programs and budget.

Pursuant to a share option scheme adopted on 22 May 2012 (“2012 Share Option Scheme”), the Board may grant options to, among other, its directors (including non-executive directors and independent non-executive directors), employees 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**

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

Save as disclosed above, there was no other material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the six months ended 30 June 2014.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2014 (30 June 2013: 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 2014.

## **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 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 2014 in compliance with 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. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Huang Boqi (“Mr. Huang”) was the chairman of the Board during the reporting period. On 16 July 2014, Mr. Huang resigned as the chairman of the Board and Mr. Kuk Peter Z was appointed as the chairman of the Board. The Company currently has no such title as the chief executive. Given the current size and structure of the Company, the Board is of the view that though there is no chief executive, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meetings between the directors and the management are held from time to time to discuss issues relating to the operation of the Company. All directors are properly briefed on the matters arising at the Board meetings with adequate, complete and reliable information received in a timely manner. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Although the responsibilities of the chairman 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. Due to their various work commitments, one executive director and two independent non-executive directors of the Company were unable to attend the annual general meeting held on 30 May 2014.

## **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 2014 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 for Securities Transactions by Directors of Listed Companies (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 2014.

## **PUBLICATION OF INTERIM REPORT**

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

The 2014 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. Kuk Peter Z**  
*Chairman*

Hong Kong, 28 August 2014

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. Kuk Peter Z, Mr. Yin Shibo and Mr. Du Chunyu, one non-executive director, namely Mr. Huang Boqi, and three independent non-executive directors, namely Mr. Zhou Mingchi, Ms. Wong Yan Ki, Angel and Mr. Zhang Liang.*