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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 2019**

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 2019 together with the comparative figures for the six months ended 30 June 2018.

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

For the six months ended 30 June 2019

	<i>Notes</i>	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	173,578	208,451
Revenue:	3		
– Trading of goods		155,909	165,201
– Provision of international air and sea freight forwarding services		2,362	3,509
– Consultancy income from finance leases		3,378	19,576
– Interest income from finance leases		1,750	8,453
– Interest income from money lending		9,895	11,365
– Brokerage commission and dealing income		284	347
		173,578	208,451

* *For identification purpose only*

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Operating costs:			
– Cost of trading goods sold		(152,254)	(162,283)
– Cost of providing international air and sea freight forwarding services		(1,733)	(2,432)
– Cost of providing brokerage and dealing services		(244)	(265)
		<u>(154,231)</u>	<u>(164,980)</u>
Other income		5,083	3,260
Administrative and other expenses		(22,371)	(22,277)
Staff costs		(16,975)	(15,714)
Unrealised loss on financial assets at fair value through profit or loss		(858)	(2,028)
Finance costs	6	(1,167)	–
Share of losses of associates		(58)	–
		<u>(16,999)</u>	<u>6,712</u>
(Loss)/profit before tax		(16,999)	6,712
Income tax	5	(1,308)	(6,056)
		<u>(18,307)</u>	<u>656</u>
(Loss)/profit for the period	6	(18,307)	656
Other comprehensive (expense)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(435)	(5,341)
Share of other comprehensive income of associates		10	–
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		2,663	(8,855)
		<u>(16,069)</u>	<u>(13,540)</u>
Total comprehensive expense for the period		<u>(16,069)</u>	<u>(13,540)</u>

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(18,294)	661
Non-controlling interests		(13)	(5)
		<u>(18,307)</u>	<u>656</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(16,057)	(13,533)
Non-controlling interests		(12)	(7)
		<u>(16,069)</u>	<u>(13,540)</u>
(Loss)/earnings per share			
Basic and diluted (<i>HK cents</i>)	8	<u>(0.36)</u>	Restated <u>0.02</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		4,240	4,982
Right-of-use assets		21,939	–
Investment properties		131,278	–
Goodwill		65,121	42,600
Intangible asset		811	811
Interests in associates		44,202	–
Financial assets at fair value through profit or loss		750	–
Financial assets at fair value through other comprehensive income		14,830	16,167
Loans receivables	10	–	55,000
Other loan receivables		75,107	–
Deposit for acquisition of a subsidiary		30,000	67,000
Regulatory deposits		1,705	1,705
Deferred tax assets		8,673	8,676
		<u>398,656</u>	<u>196,941</u>
Current assets			
Finance lease receivables	9	32,588	178,785
Loans and interest receivables	10	448,418	350,522
Other loan interest receivables		2,367	–
Trade and other receivables	11	176,139	185,632
Promissory note receivable		90,000	90,000
Financial assets at fair value through profit or loss		2,145	3,003
Pledged bank deposit		58	58
Bank balances and cash			
– trust and segregated accounts		14,365	8,435
Bank balances and cash			
– general accounts		118,807	274,763
		<u>884,887</u>	<u>1,091,198</u>

		As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables	12	34,431	43,902
Lease liabilities		15,060	–
Tax liabilities		7,890	9,119
		<u>57,381</u>	<u>53,021</u>
Net current assets		<u>827,506</u>	<u>1,038,177</u>
Total assets less current liabilities		<u>1,226,162</u>	<u>1,235,118</u>
Non-current liabilities			
Lease liabilities		7,113	–
NET ASSETS		<u><u>1,219,049</u></u>	<u><u>1,235,118</u></u>
Capital and reserves			
Share capital		508,428	508,428
Share premium and reserves		710,691	726,748
Equity attributable to owners of the Company		<u>1,219,119</u>	1,235,176
Non-controlling interests		<u>(70)</u>	<u>(58)</u>
TOTAL EQUITY		<u><u>1,219,049</u></u>	<u><u>1,235,118</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2018 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018 except as stated below.

(a) Lease

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	2 – 3 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

(b) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior years except as stated below.

HKFRS 16 “Leases”

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

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

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

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

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

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

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

3. TURNOVER AND REVENUE

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

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading of goods	155,909	165,201
Provision of international air and sea freight forwarding services	2,362	3,509
Consultancy income from finance leases (<i>Note</i>)	3,378	19,576
Interest income from finance leases (<i>Note</i>)	1,750	8,453
Interest income from money lending	9,895	11,365
Brokerage commission and dealing income	284	347
	173,578	208,451

Note: Pursuant to a debt settlement agreement and a loan agreement both dated 1 March 2019, finance lease interest of approximately RMB441,000 (equivalent to approximately HK\$521,000) and consultancy income of approximately RMB16,323,000 (equivalent to approximately HK\$19,291,000) have been agreed by the parties to be waived. According to these waived amounts, the Group's interest income from finance leases and consultancy income from finance leases had been deducted by approximately RMB38,000 (after value-added tax) (equivalent to approximately HK\$44,000) and approximately RMB1,390,000 (after value-added tax) (equivalent to approximately HK\$1,642,000) respectively in the six months ended 30 June 2019. Further details are set out in the Company's announcement dated 1 March 2019.

The Group has recognised the following amounts relating to revenue in profit or loss:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers (<i>Note (a)</i>)	161,933	188,633
Revenue from other sources		
– Interest income from finance leases	1,750	8,453
– Interest income from money leading	9,895	11,365
	<u>173,578</u>	<u>208,451</u>

Note:

(a) Disaggregation of revenue from contracts with customers:

	Trading of goods HK\$'000	Finance leasing HK\$'000	Brokerage HK\$'000	International air and sea freight forwarding HK\$'000	Total HK\$'000
Six months ended 30 June 2019					
(Unaudited):					
Geographical markets					
Hong Kong	–	–	284	–	284
People's Republic of China ("PRC")	155,909	3,378	–	–	159,287
Singapore	–	–	–	788	788
North and South of America	–	–	–	1,574	1,574
	<u>155,909</u>	<u>3,378</u>	<u>284</u>	<u>2,362</u>	<u>161,933</u>
Major products/services					
Trading of electronic products	155,909	–	–	–	155,909
Financial services	–	3,378	284	–	3,662
International air and sea freight forwarding services	–	–	–	2,362	2,362
	<u>155,909</u>	<u>3,378</u>	<u>284</u>	<u>2,362</u>	<u>161,933</u>

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2018					
(Unaudited):					
Geographical markets					
Hong Kong	-	-	347	-	347
PRC	165,201	19,576	-	-	184,777
Singapore	-	-	-	880	880
North and South of America	-	-	-	2,629	2,629
	<u>165,201</u>	<u>19,576</u>	<u>347</u>	<u>3,509</u>	<u>188,633</u>
Major products/services					
Trading of electronic products	165,201	-	-	-	165,201
Financial services	-	19,576	347	-	19,923
International air and sea freight forwarding services	-	-	-	3,509	3,509
	<u>165,201</u>	<u>19,576</u>	<u>347</u>	<u>3,509</u>	<u>188,633</u>

Trading of goods

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

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

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

Finance leasing

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

Brokerage

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

International air and sea freight forwarding

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

All revenue from trading of goods, finance leasing, brokerage and international air and sea freight forwarding is recognised at a point in time.

4. SEGMENT INFORMATION

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

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

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

The following tables present revenue and segment results regarding the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively.

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2019 (Unaudited):								
Turnover	155,909	5,128	9,895	284	2,362	-	-	173,578
Revenue from the external customers	155,909	5,128	9,895	284	2,362	-	-	173,578
Reportable segment profit/(loss)	(413)	(1,624)	6,655	(4,737)	(278)	(861)	(231)	(1,489)
Share of losses of associates								(58)
Unallocated other income								5,083
Unallocated corporate expenses								(20,535)
Loss before tax								<u>(16,999)</u>
Six months ended 30 June 2018 (Unaudited):								
Turnover	165,201	28,029	11,365	347	3,509	-	-	208,451
Revenue from the external customers	165,201	28,029	11,365	347	3,509	-	-	208,451
Reportable segment profit/(loss)	(2,238)	20,854	7,654	(5,309)	153	(3,429)		17,685
Unallocated other income								3,258
Unallocated corporate expenses								(14,231)
Profit before tax								<u>6,712</u>

5. INCOME TAX

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Corporate Income Tax (“CIT”)	1,308	6,056

Hong Kong Profits Tax has not been provided for the six months ended 30 June 2019 and 2018 as the loss for taxation purposes is estimated during both periods.

Under the Law of the PRC on CIT (the “CIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for Singapore and the United States of America Profits Tax has been made as the Group did not generate any assessable profits in Singapore and the United States of America for the six months ended 30 June 2019 and 2018.

6. (LOSS)/PROFIT FOR THE PERIOD

The Group’s (loss)/profit for the period is stated after charging/(crediting) the following:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance costs		
Interest expense on lease liabilities (<i>Note</i>)	1,167	–
Other items		
Auditor’s remuneration	475	475
Cost of inventories sold	152,254	162,283
Depreciation of		
– property, plant and equipment	1,606	1,879
– right-of-use assets (<i>Note</i>)	7,099	–
Government grant	(1)	(2)
Interest income from		
– bank	(111)	(350)
– other loan receivables	(2,273)	–
– promissory note receivable	(2,678)	(2,678)
Net foreign exchange loss/(gain)	73	(143)
Written off of plant and equipment	33	–
Minimum lease payments in respect of office premises and staffs’ quarters (<i>Note</i>)	2,199	10,604
Staff costs (including directors’ remuneration)	16,975	15,714

Note: On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases”. As a result, depreciation of right-of-use assets and interest expense on lease liabilities are charged to profit or loss over the lease term during the period. The lease payments in respect of office premises and staffs’ quarters recognised as expenses in profit or loss on straight-line basis over the lease terms are associated with short-term leases only.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$18,294,000 (six months ended 30 June 2018: profit of approximately HK\$661,000) and the weighted average of approximately 5,084,283,000 ordinary shares (six months ended 30 June 2018: 3,656,349,000, as restated) in issue during the period.

The computation of diluted earnings per share for the six months ended 2018 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.

By passing an ordinary resolution at the special general meeting of the Company held on 16 October 2018, every two ordinary shares of HK\$0.05 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK\$0.1 each in the issued and unissued share capital of the Company. As a result of the share consolidation, the weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the six months ended 30 June 2018 have been adjusted retrospectively.

9. FINANCE LEASE RECEIVABLES

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Finance lease receivables	67,767	213,980
<i>Less:</i> allowance for impairment of finance lease receivables	(35,179)	(35,195)
Finance lease receivables, net	<u>32,588</u>	<u>178,785</u>
Analysed for reporting purposes as:		
– Non-current assets	–	–
– Current assets	<u>32,588</u>	<u>178,785</u>
	<u>32,588</u>	<u>178,785</u>

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Finance lease receivables comprise:				
Within one year	32,798	179,019	32,588	178,785
<i>Less:</i> unearned interest income	(210)	(234)	–	–
Present value of minimum lease payment receivables	<u>32,588</u>	<u>178,785</u>	<u>32,588</u>	<u>178,785</u>

Effective interest rates of the above finance leases range from 6% to 8% (31 December 2018: 6% to 8%) per annum.

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

As at 30 June 2019, finance lease receivables before allowance for impairment of approximately RMB56,495,000, equivalent to approximately HK\$64,290,000 (31 December 2018: approximately RMB172,403,000, equivalent to approximately HK\$196,278,000) was past due. Included in the carrying amount of the above finance lease receivables as at 30 June 2019 are two individually impaired receivables of approximately RMB30,913,000, equivalent to approximately HK\$35,179,000 (31 December 2018: approximately RMB30,913,000, equivalent to approximately HK\$35,195,000) which impairment was made due to customers' default in payment. The Group has taken legal actions against these customers and considered the legal opinion from an independent legal adviser during impairment assessment. For the remaining past due amount of approximately RMB25,582,000 (equivalent to approximately HK\$29,111,000), subsequent to the end of the reporting period, new repayment terms and schedules have been negotiated or agreed between the Group and the lessees. Accordingly, the directors considered no further impairment loss needs to be recognised.

Management closely monitors the credit quality of finance lease receivables and considers the finance lease receivables that are neither past due nor impaired relate to finance lessees for whom there was no recent history of default. As at 30 June 2019, the age of the finance lease receivables was within three years (31 December 2018: within three years) based on the effective dates of the relevant lease contracts.

10. LOANS AND INTEREST RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Loans receivables:		
Secured	46,000	46,000
Unsecured	383,873	329,620
	429,873	375,620
Interest receivables	18,545	29,902
	448,418	405,522
Analysed for reporting purposes as:		
– Non-current assets	–	55,000
– Current assets	448,418	350,522
	448,418	405,522

As at 30 June 2019, secured loans with carrying amount of HK\$46,000,000 (31 December 2018: HK\$46,000,000) were secured by shares or assets charges provided by borrowers. The Group does not hold any collateral over the unsecured loans. The remaining carrying amount of approximately HK\$383,873,000 (31 December 2018: HK\$329,620,000) represents unsecured loans certain of which are accompanied by personal or corporate guarantee. The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 5 to 30 months (31 December 2018: 5 to 30 months). The loans provided to borrowers bore interest rate ranging from 8% – 15% per annum (31 December 2018: 8% – 15% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 90 days	2,609	7,238
91 – 180 days	68,679	49,457
181 – 365 days	47,689	64,423
Over 365 days	329,441	284,404
	<u>448,418</u>	<u>405,522</u>

As at 30 June 2019, loans and interest receivables of approximately HK\$368,619,000 (31 December 2018: HK\$294,444,000) were past due. Subsequent to the end of the reporting period, approximately HK\$1,489,000 of the past due balances were settled. The remaining past due amount of approximately HK\$367,130,000 are due from several borrowers with whom the Group is negotiating practicable repayment terms and schedules. The directors assessed their creditworthiness and financial position and are of view that no impairment loss is necessary. The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default. Accordingly, the directors considered that no impairment loss is necessary. Save for the aforesaid secured loans, the Group does not hold collateral over other balances.

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables arising from trading business	153,169	149,424
Trade receivables arising from the securities and futures brokerage business	5,206	16,341
Trade receivables arising from finance leasing business	512	7,053
Trade receivables arising from international air and sea freight forwarding business	1,761	2,041
Less: allowance for impairment	(1,460)	(1,464)
	301	577
Prepayments	4,682	2,410
Deposit and other receivables	12,269	9,827
	<u>176,139</u>	<u>185,632</u>

The Group allows an average credit period normally ranging from 30 days to 180 days (31 December 2018: 30 days to 180 days) to its customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debt) presented based on the invoice date or the payment date as stated in the respective contracts at the end of the reporting period, which approximates the respective revenue recognition date.

	Trading business HK\$'000	Finance leasing business HK\$'000	International air and sea freight forwarding business HK\$'000
30 June 2019 (Unaudited):			
Within 30 days	–	–	170
31 – 60 days	–	–	69
61 – 90 days	–	–	42
Over 90 days	<u>153,169</u>	<u>512</u>	<u>20</u>
	<u>153,169</u>	<u>512</u>	<u>301</u>

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

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

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately HK\$153,701,000 (31 December 2018: HK\$150,052,000) which were past due at the end of the reporting period and for which the Group has not provided for doubtful debt. The Group does not hold any collateral over these balances. Subsequent to the end of the reporting period, none of the past due balances were settled (31 December 2018: HK\$149,424,000).

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	<u>153,701</u>	<u>150,052</u>
	<u>153,701</u>	<u>150,052</u>

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

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

12. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables arising from the securities and futures brokerage business	19,458	24,776
Trade payables arising from international air and sea freight forwarding business	732	800
Earnest money from finance lease receivables	7,077	7,081
Value-added tax payable	408	960
Accrued charges	4,397	8,346
Other payables	2,359	1,939
	<u>34,431</u>	<u>43,902</u>

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

The average credit period on international air and sea freight forwarding services is normally ranging from 30 days to 90 days (31 December 2018: 30 days to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	97	169
31-60 days	11	–
61-90 days	2	7
Over 90 days	622	624
	<u>732</u>	<u>800</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	For the six months ended	
	30 June	
	2019	2018
	<i>HK\$'M</i>	<i>HK\$'M</i>
Financial Results Highlight		
Turnover	173.6	208.5
Other operating gain (net)	4.2	1.2
Total expenses	(40.5)	(38.0)
Share of losses of associates	(0.06)	–
Net (loss) profit before taxation & non-controlling interests	(17.0)	6.7
(Loss) profit for the period attributable to owners of the Company	(18.3)	0.7
	30 June	31 December
	2019	2018
	<i>HK\$'M</i>	<i>HK\$'M</i>
Extract of Financial Position		
Total assets	1,283.5	1,288.1
Total liabilities	(64.5)	(53.0)
Net current assets	827.5	1,038.2
Bank and cash balances	118.8	274.8
Net assets	1,219.0	1,235.1

Overview

For the six months ended 30 June 2019, the Group's turnover was approximately HK\$173.6 million, representing a decrease of approximately 16.7% as compared with approximately HK\$208.5 million in last corresponding period. The net loss for the period attributable to owners of the Company was approximately HK\$18.3 million as compared with the net profit of approximately HK\$0.7 million in last corresponding period. The decline in the Group's financial result was mainly attributable to, among other things, (i) decrease of approximately HK\$22.9 million in revenue arising from the finance leasing segment of the Group; (ii) decrease of approximately HK\$1.5 million in revenue arising from the money lending segment of the Group; and (iii) increase of approximately HK\$2.5 million in the Group's administrative and staff costs.

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 2019, the turnover of the Group's finance leasing business amounted to approximately HK\$5.1 million (30 June 2018: approximately HK\$28.0 million). During the period, the Group agreed on debts settlement arrangement with several leasees, among which, finance lease interest of approximately RMB441,000 (equivalent to approximately HK\$521,000) and consultancy income of approximately RMB16,323,000 (equivalent to approximately HK\$19,291,000) have been agreed by the parties to be waived. A total of waived amount of approximately HK\$1,686,000 was accounted for in the six months ended 30 June 2019. Corresponding segment loss of approximately HK\$1.6 million was made for the six months ended 30 June 2019 (30 June 2018: segment profit of approximately HK\$20.9 million).

Money Lending Business

The Group holds a money lenders licence in Hong Kong and provides loan facilities to prospective customers including enterprises and individuals. This segment has begun to generate returns to the Group since April 2016. For the six months ended 30 June 2019, the turnover of the Group's money lending business amounted to approximately HK\$9.9 million (30 June 2018: approximately HK\$11.4 million). Corresponding segment profit of approximately HK\$6.7 million was made for the six months ended 30 June 2019 (30 June 2018: approximately HK\$7.7 million).

Brokerage Business

The Group acquired several companies which are principally engaged in the provision of financial services, including securities and futures dealing, margin financing, asset management and stock broking in Hong Kong on 14 August 2017. Since then the Group has provided brokerage services for securities and futures traded on exchanges in Hong Kong and major overseas countries. For the six months ended 30 June 2019, the turnover of the Group's brokerage business amounted to approximately HK\$0.3 million (30 June 2018: approximately HK\$0.3 million). Corresponding segment loss of approximately HK\$4.7 million was made for the six months ended 30 June 2019 (30 June 2018: approximately HK\$5.3 million).

Trading Business

The Group is trading goods, including radio system and electronic appliance, in the PRC. For the six months ended 30 June 2019, the turnover of the Group's trading business amounted to approximately HK\$155.9 million (30 June 2018: approximately HK\$165.2 million) whereas the gross profit was approximately HK\$3.7 million (30 June 2018: approximately HK\$2.9 million). The Group recorded a loss of approximately HK\$0.4 million (30 June 2018: approximately HK\$2.2 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 2019, the Group did not trade any listed equity securities and hence no turnover and realised gain/loss of the Group's securities investment business was generated (30 June 2018: nil). During the period, the Group recorded an unrealised fair value loss of the listed securities of approximately HK\$0.9 million (30 June 2018: approximately HK\$2.0 million). For the six months ended 30 June 2019, the Group did not receive any dividend income (30 June 2018: nil). As at 30 June 2019, the Group held trading securities with value of approximately HK\$2.1 million (31 December 2018: approximately HK\$3.0 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 2019, the turnover of the Group's freight forwarding business amounted to approximately HK\$2.4 million (30 June 2018: approximately HK\$3.5 million). Corresponding gross profit of approximately HK\$0.6 million and segment loss of approximately HK\$0.3 million were made for the six months ended 30 June 2019 respectively (30 June 2018: gross profit of approximately HK\$1.1 million and segment profit of approximately HK\$0.2 million).

Property Investment Business

The Group acquired a group of companies which mainly hold the investment properties in the PRC for rental income and capital appreciation on 15 January 2019. For the six months ended 30 June 2019, such investment properties did not generate any rental income and there was no significant change in their fair value. The Group recorded a loss of approximately HK\$0.2 million in this segment.

OUTLOOK

Looking forward the second half of 2019, the Sino-US trade dispute will put greater pressure on businesses across the borders and affect GDP growth and financial markets of Hong Kong. Hong Kong will also be more vulnerable to uncertainties in global and local events. Under this challenging environment, investors are worried about the near future economic outlook and the financial market will be further glutted with prudent investment sentiment.

The Group will adopt a cautious approach to monitor the business environment closely and strengthen its competitiveness by exploring new opportunities and diversify business activities of the Group in due course. On one hand, the Group will consolidate and adjust its existing business operations, in particular the financial services business segments, towards various changes in the market. On the other hand, following acquisition of certain service providers in the real estate market of the PRC, the Group are formulating a new strategic direction with an attempt to generate more returns in the near future. With a strong belief in the coexistence of challenge and opportunity in current circumstances, the Group will keep identifying and seizing appropriate investment opportunities in the market from time to time.

LIQUIDITY AND CASHFLOW RESOURCES

As at 30 June 2019, the equity and net current assets of the Group amounted to approximately HK\$1,219.0 million (31 December 2018: approximately HK\$1,235.1 million) and HK\$827.5 million (31 December 2018: approximately HK\$1,038.2 million) respectively. On the same date, the Group had bank and cash balances of approximately HK\$118.8 million (31 December 2018: approximately HK\$274.8 million) and the current ratio was 15.42 (31 December 2018: 20.58). As at 30 June 2019 and 31 December 2018, 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 operation.

PLEDGE OF ASSETS

As at 30 June 2019 and 31 December 2018, none of the Group's securities were pledged to brokers to secure the margin loan. As at 30 June 2019 and 31 December 2018, there were no other significant assets pledged to banks to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE

During the six months ended 30 June 2019, the Group incurred approximately HK\$84,000 (30 June 2018: approximately HK\$77,000) as capital expenditure mainly in respect of plant and equipment situated in both Hong Kong and PRC offices.

CAPITAL COMMITMENTS

As at 30 June 2019 and 31 December 2018, the Group had no material capital commitment.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2019, the Group held (i) financial assets at fair value through other comprehensive income of approximately HK\$14.8 million (31 December 2018: approximately HK\$16.2 million) which represented unlisted equity securities in Hong Kong; and (ii) financial assets at fair value through profit or loss of approximately HK\$2.9 million (31 December 2018: approximately HK\$3.0 million) which represented (a) contingent consideration receivable of approximately HK\$0.8 million arising from profit guarantee clause in relation to the acquisition of associates and (b) listed securities held for trading in Hong Kong of approximately HK\$2.1 million as follow:

Company Name/Stock Code	Number of shares held		% of shareholding		Unrealised loss on fair value change	Fair value		% of Net Assets		Dividend received		Total investment cost		
	As at 30.6.2019	As at 31.12.2018	As at 30.6.2019	As at 31.12.2018	(HK\$'000) (Unaudited) For the period ended 30.6.2019	(HK\$'000) (Unaudited)	(HK\$'000) (Audited)	As at 30.6.2019	As at 31.12.2018	As at 30.6.2019	As at 31.12.2018	(HK\$'000) (Unaudited) For the period ended 30.6.2019	(HK\$'000) (Unaudited) For the period ended 30.6.2018	(HK\$'000) (Unaudited) As at 30.6.2019
Elegance Optical International Holdings Limited. (907) ("EOIH")	7,800	7,800	2%	2%	(858)	2,145	3,003	0.18	0.24	-	-	-	-	18,004

Based on public information available at the website of the Stock Exchange as at the date of this announcement, EOIH is principally engaged in manufacturing and trading of optical frames and sunglasses, property investment, investment in debts and securities, money lending and film distribution and investment business. The trading of shares of EOIH on the Stock Exchange has been suspended with effect from 2 July 2019.

During the period, the Group recorded (i) an unrealised fair value loss of approximately HK\$0.9 million in respect of investment in listed securities held for trading in profit or loss, and (ii) fair value gain of approximately HK\$2.7 million on securities investments that are not held for trading in other comprehensive income.

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

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 a downward adjustment, resulting in an exchange loss of approximately HK\$0.4 million recognised as other comprehensive expense of the Group. The Group will take a prudent approach against any impact arising from the fluctuation in exchange rates but currently is not engaged in any derivative activities and not committed to any financial instruments to hedge its balance sheet exposure.

EMPLOYEES AND HUMAN RESOURCES POLICY

As at 30 June 2019, the Group had 100 staff (30 June 2018: 67 staff). The total staff costs incurred for the period ended 30 June 2019 was approximately HK\$17.0 million (30 June 2018: approximately HK\$15.7 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 31 December 2018, Esteem Sun Limited (“Esteem Sun”), a wholly owned subsidiary of the Company, and Lucent Time Limited (“Lucent Time”), an independent third party, entered into the share transfer and loan assignment agreement, pursuant to which (i) Lucent Time conditionally agreed to sell, and Esteem Sun conditionally agreed to acquire, the entire issued share capital of Noble Realm Limited and (ii) Lucent Time conditionally agreed to assign and Esteem Sun conditionally agreed to assume all rights and benefits of the interest free shareholder’s loan, at an aggregate consideration of HK\$135,000,000. The acquisition was completed on 15 January 2019 and Noble Realm Limited and its subsidiaries become subsidiaries of the Company since then. Further details of the acquisition are set out in the Company’s announcements dated 31 December 2018 and 15 January 2019.
- (ii) On 18 January 2019, Guohua Jiaye (Beijing) Enterprise Management Company Limited* (國華佳業(北京)企業管理有限公司), a wholly-owned subsidiary of the Company, entered into share transfer agreements with independent third parties to acquire 100% equity interest in Shanghai Xuanmei Property Agency Company Limited* (上海軒美房地產經紀有限公司) (“Shanghai Xuanmei”) and Shanghai Tuxuan Construction Design Company Limited* (上海圖炫建築設計有限公司) (“Shanghai Tuxuan”) at a consideration of RMB6,000,000 (approximately HK\$6,828,000) and RMB6,250,000 (approximately HK\$7,112,000) respectively. Shanghai Xuanmei is principally engaged in provision of residential and commercial property brokerage services in the PRC while Shanghai Tuxuan is principally engaged in provision of building architecture and interior design services in the PRC. The acquisition of Shanghai Xuanmei and Shanghai Tuxuan were completed on 3 June 2019 and 6 June 2019 respectively.
- (iii) On 21 June 2019, China Best Financial Holdings Limited, a wholly owned subsidiary of the Company, completed the acquisition of 25% of the issued share capital of Treasure Cart Holdings Limited from an independent third party at a consideration of HK\$45,000,000. The major subsidiaries of Treasure Cart Holdings Limited are principally engaged in investment fund management and provision of financial information, solutions and data analytical services in the PRC. After the acquisition, Treasure Cart Holdings Limited and its subsidiaries become associates of the Company.

Save as disclosed above, there was no other material acquisition or disposal (including the acquisition or disposal of subsidiaries) for the six months ended 30 June 2019.

FUND RAISING ACTIVITIES

The Company did not conduct any fund raising activities during the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: 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 2019.

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 2019 in compliance with the CG Code.

Under 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, two executive directors namely, Mr. Chen Wei and Mr. Liu Wei and two independent non-executive directors namely, Mr. Liu Haiping and Mr. Ru Xiangan were unable to attend the Company's annual general meeting held on 3 June 2019.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Ru Xiangnan, 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 2019 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 2019.

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 2019 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. Liu Wei

Executive Director and Chief Executive Officer

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, one non-executive director, namely, Ms. Wang Yingqian, and three independent non-executive directors, namely, Mr. Liu Haiping, Mr. Liu Tonghui and Mr. Ru Xiangnan.