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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 SECOND INTERIM RESULTS
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

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 twelve months ended 31 December 2020 together with the comparative figures for the twelve months ended 31 December 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the twelve months ended 31 December 2020

	Notes	Twelve months ended	
		31 December 2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
Turnover	3	<u>1,054,167</u>	<u>362,331</u>
Revenue:	3		
– Trading of goods		522,558	308,860
– Provision of international air and sea freight forwarding services		1,662	3,464
– Consultancy income from finance leases		2,125	8,668
– Interest income from finance leases		254	1,327
– Interest income from money lending		22,080	29,748
– Brokerage commission and dealing income		1	438
– Property brokerage commission income		23,817	9,826
– Heating and cooling supply by geothermal energy		12,333	–
– Construction contracting services fee income		432,794	–
– Heating supply and industrial steam income		12,175	–
– Project management service income		19,142	–
– Interior design service income		2,730	–
		<u>1,051,671</u>	<u>362,331</u>

* For identification purpose only

	Notes	Twelve months ended	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Operating costs:			
– Cost of trading goods sold		(515,754)	(302,968)
– Cost of providing international air and sea freight forwarding services		(1,043)	(2,457)
– Cost of providing brokerage and dealing services		(1)	(315)
– Cost of providing property brokerage services		(13,498)	(3,962)
– Cost of heating and cooling supply by geothermal energy		(14,067)	–
– Cost of providing construction contracting services		(388,504)	–
– Cost of providing heating supply and industrial steam		(11,561)	–
		<u>(944,428)</u>	<u>(309,702)</u>
Other income		19,268	11,290
Administrative and other expenses		(68,816)	(49,014)
Staff costs		(81,860)	(51,588)
Finance costs	6	(27,504)	(3,806)
Unrealised loss on fair value change on investment properties		–	(16,086)
Realised gain on financial assets at fair value through profit or loss		1,574	–
Unrealised gain/(loss) on fair value change on financial assets at fair value through profit or loss		444	(2,466)
Share of profit of associates		6,624	3,152
Share of profit of a joint venture		351	–
Impairment loss on right-of-use assets		–	(4,127)
Impairment loss on loan and interest receivables		–	(43,466)
Loss on disposal of subsidiaries		(5,351)	–
Gain on disposal of an associate		11,409	–
		<u>(36,618)</u>	<u>(103,482)</u>
Loss before tax			
Income tax expense	5	(8,827)	(2,614)
		<u>(45,445)</u>	<u>(106,096)</u>
Loss for the period	6		
Other comprehensive income/(expense):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		31,947	(10,471)
Share of other comprehensive income/(expense) of associates		113	(73)
Translation reserve released upon disposal of subsidiaries		23	–
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Fair value loss on financial assets at fair value through other comprehensive income		(3,600)	(937)
		<u>(3,600)</u>	<u>(937)</u>
Total comprehensive expense for the period		<u>(16,962)</u>	<u>(117,577)</u>

		Twelve months ended	
		31 December	
		2020	2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Loss for the period attributable to:			
Owners of the Company		(42,948)	(106,067)
Non-controlling interests		<u>(2,497)</u>	<u>(29)</u>
		<u>(45,445)</u>	<u>(106,096)</u>
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(19,523)	(117,548)
Non-controlling interests		<u>2,561</u>	<u>(29)</u>
		<u>(16,962)</u>	<u>(117,577)</u>
			(Restated)
Loss per share			
Basic and diluted (HK cents)	8	<u>(4.22)</u>	<u>(10.43)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 HK\$'000 (Unaudited)	2019 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		276,103	2,603
Right-of-use assets		14,633	24,164
Investment properties		118,728	111,477
Goodwill		172,570	64,662
Intangible assets		811	811
Interests in associates		76,346	47,329
Interests in joint ventures		1,557	–
Financial assets at fair value through profit or loss		697	–
Financial assets at fair value through other comprehensive income		7,630	11,230
Finance lease receivables	<i>9</i>	–	4,215
Loans receivables	<i>10</i>	91,313	105,369
Other loans receivables		3,562	73,575
Deposit for acquisition of a subsidiary		–	30,000
Regulatory deposits		205	1,705
Deferred tax assets		9,048	8,497
		<u>773,203</u>	<u>485,637</u>
Current assets			
Inventory		7,316	–
Finance lease receivables	<i>9</i>	16,312	15,288
Loans and interest receivables	<i>10</i>	336,300	316,585
Other loan and interest receivables		85,317	5,931
Trade and other receivables	<i>11</i>	273,383	177,181
Properties under development for sale		84,673	–
Contract assets		376,207	–
Promissory note receivable		90,000	90,000
Financial assets at fair value through profit or loss		987	1,287
Pledged bank deposit		–	58
Bank balances and cash – trust and segregated accounts		4,027	3,285
Bank balances and cash – general accounts		57,143	97,451
		<u>1,331,665</u>	<u>707,066</u>

	<i>Notes</i>	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	<i>12</i>	635,926	29,561
Contract liabilities		20,313	–
Lease liabilities		9,630	23,848
Amounts due to an associate		16,642	6,521
Tax liabilities		17,708	9,750
		<u>700,219</u>	<u>69,680</u>
Net current assets		<u>631,446</u>	<u>637,386</u>
Total assets less current liabilities		<u>1,404,649</u>	<u>1,123,023</u>
Non-current liabilities			
Trust loans		237,455	–
Consideration payable		22,170	–
Lease liabilities		6,511	5,482
		<u>266,136</u>	<u>5,482</u>
NET ASSETS		<u>1,138,513</u>	<u>1,117,541</u>
Capital and reserves			
Share capital		101,686	508,428
Share premium and reserves		996,278	609,200
Equity attributable to owners of the Company		1,097,964	1,117,628
Non-controlling interests		40,549	(87)
TOTAL EQUITY		<u>1,138,513</u>	<u>1,117,541</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 19 June 2020, the Company's financial year end date has been changed from 31 December to 31 March commencing from financial year of 2020/2021. Accordingly, the current financial year will cover a period of fifteen months from 1 January 2020 to 31 March 2021. These condensed consolidated financial statements now presented cover a period of twelve months from 1 January to 31 December 2020. The comparative figures presented for the condensed consolidated statement of profit or loss and other comprehensive income and related notes cover the audited figures of the financial year from 1 January 2019 to 31 December 2019.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed consolidated financial statements should be read in conjunction with the 2019 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 2019.

2. ADOPTION 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 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); 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 consolidated financial statements and amounts reported for the current period and prior years except as stated below:

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the condensed consolidated financial statements as similar conclusion would have been reached without applying the optional concentration test. The Group has elected to apply the optional concentration test on the acquisition of Yuncheng City Wandefu Hot Power Co., Ltd.* (運城市萬得福熱力有限公司) and concluded that such acquisition does not constitute a business.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced on 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 electronic appliance; (ii) gross proceeds from disposal of financial assets at fair value through profit or loss; (iii) provision of international air and sea freight forwarding services; (iv) consultancy income in respect of finance leases; (v) interest income from finance leases; (vi) interest income from money lending; (vii) brokerage commission and dealing income from securities and futures brokerage business; (viii) property brokerage commission income from property brokerage business; (ix) heating and cooling supply by geothermal energy; (x) building construction contracting service; (xi) interior design service income from building architecture and interior design business; (xii) project management service income from property development and project management business and (xiii) heating supply and industrial steam income from centralised heating business. An analysis of the Group's turnover for the period is as follows:

	For the twelve months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trading of goods	522,558	308,860
Gross proceeds from disposal of securities	2,496	–
Provision of international air and sea freight forwarding services	1,662	3,464
Consultancy income from finance leases	2,125	8,668
Interest income from finance leases	254	1,327
Interest income from money lending	22,080	29,748
Brokerage commission and dealing income	1	438
Property brokerage commission income	23,817	9,826
Heating and cooling supply by geothermal energy	12,333	–
Construction contracting services fee income	432,794	–
Interior design service income	2,730	–
Project management service income	19,142	–
Heating supply and industrial steam income	12,175	–
	<u>1,054,167</u>	<u>362,331</u>

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

	For the twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Revenue from contracts with customers (<i>Note (a)</i>)	1,029,337	331,256
Revenue from other sources		
– Interest income from finance leases	254	1,327
– Interest income from money lending	22,080	29,748
	1,051,671	362,331
Timing of recognition of revenue from contracts with customers		
At a point in time	548,038	331,256
Over time	481,299	–
	1,029,337	331,256

Note:

(a) Disaggregation of revenue from contracts with customers:

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Heating and cooling supply of geothermal energy <i>HK\$'000</i>	Building construction contracting <i>HK\$'000</i>	Building architecture and interior design <i>HK\$'000</i>	Property development and project management <i>HK\$'000</i>	Centralised heating <i>HK\$'000</i>	Total <i>HK\$'000</i>
Twelve months ended											
31 December 2020 (Unaudited):											
Geographical markets											
Hong Kong	-	-	1	-	-	-	-	-	-	-	1
People's Republic of China (the "PRC")	522,558	2,125	-	-	23,817	12,333	432,794	2,730	19,142	12,175	1,027,674
Singapore	-	-	-	1,069	-	-	-	-	-	-	1,069
North and South of America	-	-	-	593	-	-	-	-	-	-	593
	<u>522,558</u>	<u>2,125</u>	<u>1</u>	<u>1,662</u>	<u>23,817</u>	<u>12,333</u>	<u>432,794</u>	<u>2,730</u>	<u>19,142</u>	<u>12,175</u>	<u>1,029,337</u>
Major products/services											
Trading of electronic products	522,558	-	-	-	-	-	-	-	-	-	522,558
Financial services	-	2,125	1	-	-	-	-	-	-	-	2,126
International air and sea freight forwarding services	-	-	-	1,662	-	-	-	-	-	-	1,662
Property brokerage services	-	-	-	-	23,817	-	-	-	-	-	23,817
Heating and cooling supply by geothermal energy	-	-	-	-	-	12,333	-	-	-	-	12,333
Building construction contracting services	-	-	-	-	-	-	432,794	-	-	-	432,794
Interior design services	-	-	-	-	-	-	-	2,730	-	-	2,730
Project management services	-	-	-	-	-	-	-	-	19,142	-	19,142
Heating supply and industrial steam	-	-	-	-	-	-	-	-	-	12,175	12,175
	<u>522,558</u>	<u>2,125</u>	<u>1</u>	<u>1,662</u>	<u>23,817</u>	<u>12,333</u>	<u>432,794</u>	<u>2,730</u>	<u>19,142</u>	<u>12,175</u>	<u>1,029,337</u>
Timing of recognition of revenue from contracts with customers											
At a point in time	522,558	-	1	1,662	23,817	-	-	-	-	-	548,038
Over time	-	2,125	-	-	-	12,333	432,794	2,730	19,142	12,175	481,299
	<u>522,558</u>	<u>2,125</u>	<u>1</u>	<u>1,662</u>	<u>23,817</u>	<u>12,333</u>	<u>432,794</u>	<u>2,730</u>	<u>19,142</u>	<u>12,175</u>	<u>1,029,337</u>

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Twelve months ended						
31 December 2019 (Audited):						
Geographical markets						
Hong Kong	–	–	438	–	–	438
PRC	308,860	8,668	–	–	9,826	327,354
Singapore	–	–	–	1,529	–	1,529
North and South of America	–	–	–	1,935	–	1,935
	<u>308,860</u>	<u>8,668</u>	<u>438</u>	<u>3,464</u>	<u>9,826</u>	<u>331,256</u>
Major products/services						
Trading of electronic products	308,860	–	–	–	–	308,860
Financial services	–	8,668	438	–	–	9,106
International air and sea freight forwarding services	–	–	–	3,464	–	3,464
Property brokerage services	–	–	–	–	9,826	9,826
	<u>308,860</u>	<u>8,668</u>	<u>438</u>	<u>3,464</u>	<u>9,826</u>	<u>331,256</u>
Timing of recognition of revenue from contracts with customers						
At a point in time	<u>308,860</u>	<u>8,668</u>	<u>438</u>	<u>3,464</u>	<u>9,826</u>	<u>331,256</u>

Trading of goods

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

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

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

Finance leasing

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

Securities and futures brokerage

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

International air and sea freight forwarding

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

Property brokerage

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

Heating and cooling supply by geothermal energy

Income from heating and cooling supply by geothermal energy is recognised when the services are rendered. The customers pay the fee according to the heating and cooling supply actually consumed.

Building construction contracting

The Group provides construction contracting services to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

Building architecture and interior design

Interior design services income is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The customers pay the service income to the Group according to the payment schedules as stipulated in the contracts.

Property development and project management

Revenue from the Group's property development and project management business derived from entrusted construction agreements and management services. Project management service income is recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The customers pay the service income to the Group according to the payment schedules as stipulated in the contracts.

Centralised heating

Heating supply and industrial steam income is recognised when the services are rendered. The customers pay the fee according to the heating and industrial steam actually consumed.

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.

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

- (a) Trading of goods segment engages in trading of products including but not limited to electronic appliance in the PRC;
- (b) Finance leasing segment engages in finance leasing of plant and machinery as well as providing consultancy services with respect of finance leasing in the PRC;
- (c) Money lending segment engages in money lending in Hong Kong;
- (d) Securities and futures brokerage segment engages in securities and futures dealing services in Hong Kong;
- (e) International air and sea freight forwarding segment engages in the provision of international air and sea freight forwarding and logistic services to customers in Singapore and United States of America;
- (f) Securities trading segment engages in trading of equity securities and dividend income from held for trading investments in Hong Kong;

- (g) Property investment segment engages in investments of properties for rental income and capital appreciation in the PRC;
- (h) Building architecture and interior design segment engages in provision of building architecture and interior design services in the PRC;
- (i) Property brokerage segment engages in provision of property agency service in the PRC;
- (j) Property development and project management segment engages in development of properties and provision of entrusted construction and projects management services in the PRC;
- (k) Geothermal energy segment engages in provision of heating and cooling supply by geothermal energy to buildings in the PRC;
- (l) Building construction contracting segment engages in provision of building construction contracting service on project basis in the PRC; and
- (m) Centralised heating segment engages in the business of using coal-fired boilers to provide centralised heating, including industrial steam, through centralised pipe networks in the PRC.

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 profit of associates, share of profit of a joint venture, loss on disposal of subsidiaries, gain on disposal of an associate, 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 twelve months ended 31 December 2020 and 2019, respectively.

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Building architecture and interior design <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Property and project management <i>HK\$'000</i>	Geothermal energy <i>HK\$'000</i>	Building construction contracting <i>HK\$'000</i>	Centralised heating <i>HK\$'000</i>	Total <i>HK\$'000</i>
Twelve months ended														
31 December 2020 (Unaudited):														
Turnover	522,558	2,379	22,080	1	1,662	2,496	-	2,730	23,817	19,142	12,333	432,794	12,175	1,054,167
Revenue from the external customers	522,558	2,379	22,080	1	1,662	-	-	2,730	23,817	19,142	12,333	432,794	12,175	1,051,671
Reportable segment profit/(loss)	(6,219)	(4,613)	15,057	(6,559)	(815)	2,018	(865)	(7,258)	3,928	(33,690)	(19,319)	35,577	(2,931)	(25,689)
Share of profit of associates														6,624
Share of profit of a joint venture														351
Gain on disposal of an associate														11,409
Loss on disposal of subsidiaries														(5,351)
Unallocated other income														13,491
Unallocated corporate expenses														(37,453)
Loss before tax														(36,618)

	Trading of goods <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities and futures brokerage <i>HK\$'000</i>	International air and sea freight forwarding <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Building architecture and interior design <i>HK\$'000</i>	Property brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Twelve months ended										
31 December 2019 (Audited):										
Turnover	308,860	9,995	29,748	438	3,464	-	-	-	9,826	362,331
Revenue from the external customers	308,860	9,995	29,748	438	3,464	-	-	-	9,826	362,331
Reportable segment profit/(loss)	(5,646)	(1,821)	(22,233)	(10,573)	(820)	(1,716)	(16,747)	(11,009)	3,010	(67,555)
Share of profit of associates										3,152
Unallocated other income										11,290
Unallocated corporate expenses										(50,369)
Loss before tax										(103,482)

5. INCOME TAX EXPENSE

	For the twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current tax:		
PRC Enterprise Income Tax (“EIT”)	<u>10,113</u>	<u>2,203</u>
Under/(over) provision in prior years:		
Hong Kong Profits Tax	–	(50)
PRC Enterprise Income Tax	<u>347</u>	<u>461</u>
	<u>347</u>	<u>411</u>
Deferred tax:		
Current period	<u>(1,633)</u>	–
	<u>8,827</u>	<u>2,614</u>

Hong Kong Profits Tax has not been provided for the twelve months ended 31 December 2020 and 2019 as the loss for taxation purposes is estimated during both periods.

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 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 twelve months ended 31 December 2020 and 2019.

6. LOSS FOR THE PERIOD

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

	For the twelve months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Finance costs		
Interest expense on lease liabilities	2,835	3,806
Interest expense on trust loans	22,818	–
Interest expense on consideration payable	1,851	–
	<u>27,504</u>	<u>3,806</u>
Other items		
Auditor's remuneration	1,075	1,075
Cost of inventories sold	515,754	302,968
Depreciation of		
– property, plant and equipment	7,520	3,113
– right-of-use assets	21,225	19,023
Amortisation of intangible asset	4,067	–
Government grant	(5,777)	(2)
Interest income from		
– bank	(383)	(160)
– other loan receivables	(6,947)	(5,700)
– promissory note receivable	(5,415)	(5,400)
Net foreign exchange loss	35	136
Reversal of impairment loss on finance lease receivable	(28)	–
Gain on lease modification	(26)	–
Written off of property, plant and equipment	–	33
Staff costs (including directors' remuneration)	81,860	51,588

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the twelve months ended 31 December 2020 (twelve months ended 31 December 2019: nil).

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$42,948,000 (twelve months ended 31 December 2019: approximately HK\$106,067,000) and the weighted average of approximately 1,016,857,000 ordinary shares (twelve months ended 31 December 2019: approximately 1,016,857,000 (restated)) in issue during the period.

By passing a special resolution at the special general meeting of the Company held on 31 August 2020, every five ordinary shares in the issued share capital of the Company were consolidated into one consolidated ordinary share in the issued 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 loss per share for the twelve months ended 31 December 2019 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.

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Finance lease receivables	52,986	53,965
<i>Less:</i> allowance for impairment of finance lease receivables	<u>(36,674)</u>	<u>(34,462)</u>
Finance lease receivables, net	<u>16,312</u>	<u>19,503</u>
Analysed for reporting purposes as:		
– Non-current assets	–	4,215
– Current assets	<u>16,312</u>	<u>15,288</u>
	<u>16,312</u>	<u>19,503</u>

	Minimum lease payments		Present value of minimum lease payments	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Finance lease receivables comprise:				
Within one year	16,312	15,360	16,312	15,288
After one year but within two years	–	4,215	–	4,215
	16,312	19,575	16,312	19,503
<i>Less: unearned interest income</i>	–	(72)	–	–
Present value of minimum lease payment receivables	16,312	19,503	16,312	19,503

Effective interest rates of the above finance leases is 6% (2019: range from 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 31 December 2020, finance lease receivables before allowance for impairment of approximately RMB40,848,000, equivalent to approximately HK\$48,498,000 (2019: approximately RMB40,372,000, equivalent to approximately HK\$45,006,000) was past due. Included in the carrying amount of the above finance lease receivables as at 31 December 2020 are two individually impaired receivables of approximately RMB30,889,000, equivalent to approximately HK\$36,674,000 (2019: approximately RMB30,913,000, equivalent to approximately HK\$34,462,000) which impairment was made due to customers' default in payment. The Group has taken legal actions against these customers and considered the legal opinion from independent legal advisers during impairment assessment. For the remaining past due amount of approximately RMB9,959,000, equivalent to approximately HK\$11,824,000 (2019: approximately RMB9,459,000, equivalent to approximately HK\$10,544,000), the Group is still negotiating practicable repayment terms and schedules subsequent to the end of the reporting period. Accordingly, the directors considered no further impairment loss needs to be recognised.

Management closely monitors the credit quality of finance lease receivables and considers the finance lease receivables that are neither past due nor impaired relate to finance lessees for whom there was no recent history of default. The aged analysis of the finance lease receivables, presented based on the effective dates of the relevant lease contracts, is as follow:

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Within three years	–	19,503
Over three years	<u>16,312</u>	<u>–</u>
	<u>16,312</u>	<u>19,503</u>

10. LOANS AND INTEREST RECEIVABLES

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Loans receivables:		
Secured	40,000	40,000
Unsecured	<u>388,515</u>	<u>393,905</u>
	428,515	433,905
Interest receivables	42,564	31,515
Less: allowance for impairment of loan and interest receivables	<u>(43,466)</u>	<u>(43,466)</u>
	<u>427,613</u>	<u>421,954</u>
Analysed for reporting purposes as:		
– Non-current assets	91,313	105,369
– Current assets	<u>336,300</u>	<u>316,585</u>
	<u>427,613</u>	<u>421,954</u>

As at 31 December 2020, secured loans before allowance for impairment of HK\$40,000,000 (2019: HK\$40,000,000) were secured by assets charges provided by borrowers. The Group does not hold any collateral over the unsecured loans. The remaining loans amount before allowance for impairment of approximately HK\$388,515,000 (2019: approximately HK\$393,905,000) 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 6 to 54 months (2019: 5 to 54 months). The loans provided to borrowers bore interest rate ranging from 8% – 15% per annum (2019: 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.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 90 days	4,266	8,995
91 – 180 days	4,583	60,429
181 – 365 days	100,388	71,077
Over 365 days	318,376	281,453
	<u>427,613</u>	<u>421,954</u>

As at 31 December 2020, loans and interest receivables of approximately HK\$265,745,000 (2019: approximately HK\$224,138,000) were past due. Included in the carrying amount of the above loans and interest receivables as at 31 December 2020 is an individually impaired receivables of approximately HK\$43,466,000 (2019: approximately HK\$43,466,000) which impairment was made due to borrower's default in payment. Subsequent to the end of the reporting period, approximately HK\$3,421,000 of the past due balances were settled. The remaining past due amount of approximately HK\$218,858,000 are due from several borrowers with whom the Group is negotiating practicable repayment terms and schedules. The directors assessed their creditworthiness and financial position and are of view that no impairment loss is necessary. The Group's neither past due nor impaired loan receivables mainly represented loans granted to creditworthy customers for whom there was no recent history of default. Accordingly, the directors considered that no further impairment loss is necessary. Save for the aforesaid secured loans, the Group does not hold collateral over other balances.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Trade receivables arising from trading business	173,413	152,947
Trade receivables arising from the securities and futures brokerage business	226	3,111
Trade receivables arising from finance leasing business	1,722	502
Trade receivables arising from geothermal energy business	750	–
Trade receivables arising from building construction contracting business	14,091	–
Trade receivables arising from centralised heating business	302	–
Trade receivable arising from property development and project management business	4,892	–
Trade receivable arising from building architecture and interior design business	677	–
Trade receivables arising from international air and sea freight forwarding business	1,695	1,709
Less: allowance for impairment	(1,449)	(1,454)
	246	255
Prepayments	39,312	2,530
Value-added tax recoverable	9,058	–
Deposit and other receivables	28,694	17,836
	273,383	177,181

The Group allows an average credit period normally ranging from 30 days to 180 days (2019: 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 <i>HK\$'000</i>	Finance leasing business <i>HK\$'000</i>	International air and sea freight forwarding business <i>HK\$'000</i>	Geothermal energy business <i>HK\$'000</i>	Building construction contracting business <i>HK\$'000</i>	Centralised heating business <i>HK\$'000</i>	Property development and project management business <i>HK\$'000</i>	Building architecture and interior design business <i>HK\$'000</i>
31 December 2020 (Unaudited):								
Within 30 days	41,614	1,188	151	246	14,091	302	4,892	677
31 – 60 days	89,314	–	83	–	–	–	–	–
61 – 90 days	42,485	–	–	107	–	–	–	–
Over 90 days	–	534	12	397	–	–	–	–
	173,413	1,722	246	750	14,091	302	4,892	677

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

The settlement term of trade receivables arising from the securities and futures 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 debts with aggregate carrying amount of approximately HK\$943,000 which were past due at the end of the reporting period and for which the Group has not provided for doubtful debt. The Group does not hold any collateral over these balances.

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

	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Over 90 days	<u>943</u>	<u>523</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

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Trade payables arising from the securities and futures brokerage business	4,253	6,397
Trade payables arising from international air and sea freight forwarding business	719	720
Trade payables arising from property brokerage business	359	1,048
Trade payables arising from geothermal energy business	46,746	–
Trade payables arising from centralised heating business	13,205	–
Trade payables arising from building construction contracting business	281,161	–
Earnest money from finance lease receivables	3,560	3,344
Value-added tax payable	–	1,157
Accrued charges	13,851	12,623
Consideration payables	148,698	–
Advance from subcontractor	86,898	–
Trust loans interest payable	16,926	–
Other payables	19,550	4,272
	<u>635,926</u>	<u>29,561</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.

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

The average credit period on the international air and sea freight forwarding services is normally ranging from 30 days to 90 days (2019: 30 days to 90 days). For trade payables arising from geothermal energy business, centralised heating business and building construction contracting business, they are mainly accrued and settled based on the progress of performance and the settlement obligation as stipulated in the respective contracts. 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 the international air and sea freight forwarding business, the geothermal energy business, the centralised heating business and the building construction contracting business presented based on the invoice date and/or the settlement obligation as stipulated in the respective contracts at the end of the reporting period:

	International air and sea freight forwarding business <i>HK\$'000</i>	Geothermal energy business <i>HK\$'000</i>	Centralised heating <i>HK\$'000</i>	Building construction contracting business <i>HK\$'000</i>
31 December 2020 (Unaudited):				
Within 30 days	99	2,474	5,271	1,027
31-60 days	1	2,066	7,934	–
61-90 days	1	–	–	4,494
Over 90 days	618	42,206	–	275,640
	<u>719</u>	<u>46,746</u>	<u>13,205</u>	<u>281,161</u>

International
air and
sea freight
forwarding
business
HK\$'000

31 December 2019 (Audited):

Within 30 days	94
31-60 days	1
61-90 days	3
Over 90 days	622
	<u>720</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	Twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'M</i>	<i>HK\$'M</i>
Financial Results Highlight		
Turnover	1,054.2	362.3
Other operating gain (net)	21.3	8.8
Total expenses	(178.2)	(104.4)
Unrealised loss on fair value change on investment properties	–	(16.1)
Share of profit of associates	6.6	3.2
Share of profit of a joint venture	0.4	–
Loss on disposal of subsidiaries	(5.4)	–
Gain on disposal of an associate	11.4	–
Impairment loss on right-of-use assets	–	(4.1)
Impairment loss on loan and interest receivables	–	(43.5)
Net loss before taxation & non-controlling interests	(36.6)	(103.5)
Loss for the period attributable to owners of the Company	(42.9)	(106.1)
	31 December	31 December
	2020	2019
	<i>HK\$'M</i>	<i>HK\$'M</i>
Extract of Financial Position		
Total assets	2,104.9	1,192.7
Total liabilities	(966.4)	(75.2)
Net current assets	631.4	637.4
Bank and cash balances	57.1	97.5
Net assets	1,138.5	1,117.5

Overview

For the twelve months ended 31 December 2020, the Group's turnover was approximately HK\$1,054.2 million, representing an increase of approximately 190.9% as compared with approximately HK\$362.3 million in last corresponding period. The net loss for the period attributable to owners of the Company was approximately HK\$42.9 million as compared with approximately HK\$106.1 million in last corresponding period. The decrease in loss was mainly attributed to, among other thing, (i) none of impairment loss on loan and interest receivable and fair value loss on investment properties recognised in 2020 while they amounted to approximately HK\$60 million in aggregate for the corresponding period in 2019, and (ii) income growth from the expanded business activities, in particular from the Group's real-estate related businesses, which nevertheless was neutralised by the increase in the Group's operation 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 and related consultancy 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 twelve months ended 31 December 2020, the turnover of the Group's finance leasing business amounted to approximately HK\$2.4 million (31 December 2019: approximately HK\$10.0 million) whereas segment loss of approximately HK\$4.6 million was incurred (31 December 2019: approximately HK\$1.8 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 twelve months ended 31 December 2020, the turnover of the Group's money lending business amounted to approximately HK\$22.1 million (31 December 2019: approximately HK\$29.7 million). Corresponding segment profit of approximately HK\$15.1 million was made for the twelve months ended 31 December 2020 (31 December 2019: segment loss of approximately HK\$22.2 million, including the impairment loss on loan and interest receivables of approximately HK\$43.5 million due to borrower's default in payment).

Securities and Futures Brokerage Business

The Group has been providing brokerage services for securities and futures traded on exchanges in Hong Kong and major overseas countries since August 2017. For the twelve months ended 31 December 2020, the turnover of the Group's securities and futures brokerage business was approximately HK\$1,000 (31 December 2019: approximately HK\$0.4 million). Corresponding segment loss of approximately HK\$6.6 million was made for the twelve months ended 31 December 2020 (31 December 2019: approximately HK\$10.6 million).

Trading Business

The Group is trading goods, including electronic appliance, in the PRC. For the twelve months ended 31 December 2020, the turnover of the Group's trading business amounted to approximately HK\$522.6 million (31 December 2019: approximately HK\$308.9 million) whereas the gross profit was approximately HK\$6.8 million (31 December 2019: approximately HK\$5.9 million). The Group recorded a loss of approximately HK\$6.2 million (31 December 2019: approximately HK\$5.6 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 twelve months ended 31 December 2020, the turnover of the Group's securities investment business amounted to approximately HK\$2.5 million (31 December 2019: nil). During the period, the Group recorded a realised gain of approximately HK\$1.6 million (31 December 2019: nil) and an unrealised fair value gain of the listed securities of approximately HK\$0.4 million (31 December 2019: unrealised fair value loss of approximately HK\$1.7 million). For the twelve months ended 31 December 2020, the Group did not receive any dividend income (31 December 2019: nil). As at 31 December 2020, the Group held trading securities with value of approximately HK\$1.0 million (31 December 2019: approximately HK\$1.3 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 United States of America. For the twelve months ended 31 December 2020, the turnover of the Group's freight forwarding business amounted to approximately HK\$1.6 million (31 December 2019: approximately HK\$3.5 million). Corresponding gross profit of approximately HK\$0.6 million and segment loss of approximately HK\$0.8 million were made for the twelve months ended 31 December 2020 respectively (31 December 2019: gross profit of approximately HK\$1.0 million and segment loss of approximately HK\$0.8 million).

Property Investment Business

The Group has been holding the investment properties in the PRC for rental income and capital appreciation since January 2019. During the period, certain interior fitting out works originally planned to improve properties' multi-usages have been suspended for the outbreak of the COVID-19 pandemic. As the leasing arrangement is yet to be crystallised, such investment properties did not generate any rental income for the twelve months ended 31 December 2020. As at 31 December 2020, the fair value of the investment properties was approximately HK\$118.7 million (31 December 2019: approximately HK\$111.5 million).

Property Brokerage Business

The Group has been engaged in provision of residential and commercial property brokerage services in the PRC since June 2019. For the twelve months ended 31 December 2020, the turnover of the Group's property brokerage business amounted to approximately HK\$23.8 million (31 December 2019: HK\$9.8 million) and the gross profit was approximately HK\$10.3 million (31 December 2019: HK\$5.9 million). Corresponding profit of approximately HK\$3.9 million was made in this segment (31 December 2019: approximately HK\$3.0 million).

Building Architecture and Interior Design Business

The Group has been engaged in provision of building architecture and interior design services in the PRC since June 2019. For the twelve months ended 31 December 2020, the turnover of the Group's building architecture and interior design business amounted to approximately HK\$2.7 million (31 December 2019: nil). Segment loss of approximately HK\$7.3 million was incurred in this segment (31 December 2019: approximately HK\$11.0 million).

Property Development and Project Management Business

The Group acquired a company on 2 March 2020 which is principally engaged in property development in the PRC and holds land use rights of a land parcel at Haiyong Road, Haiyong Country, Haimen City, Jiangsu Province, with a total site area of 47,519 square meters and for commercial use. The Group is planning to develop properties for sale on such land parcel. For the twelve months ended 31 December 2020, the properties were still under the development process and hence no turnover of the Group's property development business was generated. The costs incurred in the course of properties development have been capitalised and the capitalisation will go on until the properties are developed and sold. As at 31 December 2020, the amount of properties under development for sale was approximately HK\$84.7 million.

The Group also started the project management business to provide project management services in the PRC since July 2020. For the twelve months ended 31 December 2020, the turnover of the Group's project management business amounted to approximately HK\$19.1 million. Segment loss of approximately HK\$33.7 million was incurred in this segment.

Geothermal Energy Business

The Group acquired a group of companies, which are principally engaged in developing and utilising geothermal energy in provision of heating and cooling supply to various buildings located in residential areas in the PRC, on 24 March 2020. For the twelve months ended 31 December 2020, the turnover of the Group's geothermal energy business amounted to approximately HK\$12.3 million whereas the gross loss of approximately HK\$1.7 million was incurred. The Group recorded a loss of approximately HK\$19.3 million in this segment.

Building Construction Contracting Business

The Group acquired a company, which is principally engaged in building construction contracting on project basis in the PRC, on 25 May 2020. For the twelve months ended 31 December 2020, the turnover of the Group's building construction contracting business amounted to approximately HK\$432.8 million and the gross profit of approximately HK\$44.3 million was made. Corresponding profit of approximately HK\$35.6 million was achieved in this segment.

Centralised Heating Business

The Group started the centralised heating business after becoming the reorganisation investor of a company, which is principally engaged in the business of providing the heat and steam supply services in the licensed area of Yuncheng, Shanxi through centralised pipe networks, on 8 September 2020. For the twelve months ended 31 December 2020, the turnover of the Group's centralised heating business amounted to approximately HK\$12.2 million and the gross profit of approximately HK\$0.6 million was made. The Group recorded a loss of approximately HK\$2.9 million in this segment.

OUTLOOK

In 2020, the outbreak of the novel coronavirus (COVID-19) pandemic together with subsequent lockdown measures had a profound impact on the global economy. As a result of anti-epidemic and epidemic prevention actions, the COVID-19 pandemic has been comparatively under control in the mainland China and Hong Kong, both of which are principal business places of the Group. With strong rebound of the economy of the mainland China and improved market sentiment in Hong Kong, the negative impact on the Group's business has been mitigated.

In order to increase the profitability of the Group and enhance its sustainability, the Group has continuously improved its real estate-related business layout while developing its existing main businesses. The Group is reviewing and considering its existing resources, including the experience, expertise and social network of the directors and management of the Company, with the aim of further expanding the current principal businesses and exploring possible inter-segment development and collaboration. Leveraging the synergy effect and solid client base, the Group has commenced property project management business in the second half of 2020 and demonstrated the ability to provide one-stop solution for property development project as well as to suit with various customer needs.

Looking forward, the Group will endeavour to strengthen its client base and diversify its products and services mix among different business segments. The Group firmly believes that challenges and opportunities coexist in the current situation. The Group will adopt prudent measures to control operating risks and continue to expand its businesses by exploring new opportunities.

LIQUIDITY AND CASHFLOW RESOURCES

As at 31 December 2020, the equity and net current assets of the Group amounted to approximately HK\$1,138.5 million (31 December 2019: approximately HK\$1,117.5 million) and HK\$631.4 million (31 December 2019: approximately HK\$637.4 million) respectively. On the same date, the Group had bank and cash balances of approximately HK\$57.1 million (31 December 2019: approximately HK\$97.5 million) and the current ratio was 1.9 (31 December 2019: 10.15). As at 31 December 2020, the Group has (i) secured trust loans of approximately HK\$237.5 million bearing fixed interest rate at 12% per annum and to be repaid in March 2022 and (ii) interest-free and unsecured advance payment from an associate of approximately HK\$16.6 million to be repaid on demand (31 December 2019: no interest bearing borrowing but an interest-free and unsecured advance payment from an associate of approximately HK\$6.5 million to be repaid on demand).

As at 31 December 2020, the gearing ratio of the Group was approximately 0.12 (31 December 2019: approximately 0.01). The gearing ratio is measured on the basis of the total amount of interest bearing and interest free borrowings over the amount of total assets. As at 31 December 2020, the total amount of interest bearing and interest free borrowings and the amount of total asset of the Group amounted to approximately HK\$254.1 million (31 December 2019: only interest free borrowings of approximately HK\$6.5 million) and HK\$2,104.9 million (31 December 2019: approximately HK\$1,192.7 million) respectively.

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

PLEDGE OF ASSETS

As at 31 December 2020 and 2019, none of the Group's securities were pledged to brokers to secure the margin loan. As at 31 December 2020, the properties under development for sale in amount of approximately HK\$84.7 million (including the land use rights of approximately HK\$27.1 million) was pledged to independent lender to secure the trust loans borrowed to the Group (31 December 2019: nil).

CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE

During the twelve months ended 31 December 2020, the Group incurred approximately HK\$39.2 million (31 December 2019: approximately HK\$0.1 million) as capital expenditure mainly in respect of plant and equipment situated in the PRC.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no material capital commitment (31 December 2019: capital commitment of HK\$70.0 million in relation to the acquisition of subsidiaries).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group held (i) financial assets at fair value through other comprehensive income of approximately HK\$7.6 million (31 December 2019: approximately HK\$11.2 million) which represented unlisted equity securities in Hong Kong; and (ii) financial assets at fair value through profit or loss of approximately HK\$1.0 million (31 December 2019: approximately HK\$1.3 million) which represented listed securities held for trading in Hong Kong as follow:

Company Name/Stock Code	Number of shares held		% of shareholding		Unrealised gain on fair value change		Fair value		% of Net Assets		Dividend received		Total investment cost
	As at 31.12.2020	As at 31.12.2019	As at 31.12.2020	As at 31.12.2019	For the period ended 31.12.2020	For the period ended 31.12.2020	As at 31.12.2020	As at 31.12.2019	As at 31.12.2020	As at 31.12.2019	For the period ended 31.12.2020	For the period ended 31.12.2019	As at 31.12.2020
Elegance Optical International Holdings Limited. (907) ("EOIH")	3,290	7,800	0.5%	2%	1,574	444	987	1,287	0.09	0.12	-	-	7,594

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 and film investment and distribution business.

During the period, the Group recorded (i) a realised gain of approximately HK\$1.6 million from selling listed securities, (ii) an unrealised fair value gain of approximately HK\$0.4 million in respect of investment in listed securities held for trading in profit or loss, and (iii) fair value loss of approximately HK\$3.6 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 an upward adjustment, resulting in an exchange gain of approximately HK\$31.9 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 31 December 2020, the Group had 404 staff (31 December 2019: 139 staff). The total staff costs incurred for the twelve months ended 31 December 2020 was approximately HK\$81.9 million (31 December 2019: approximately HK\$51.6 million). The remuneration of employees was determined with reference to the qualification and experience of individual staff member, market circumstances and the Group's performance. In accordance with the Listing Rules, the staff of the Company's accounting and financial reporting function have adequate training programmes and budget.

Pursuant to a share option scheme adopted on 22 May 2012 (the "2012 Share Option Scheme"), the Board may grant options to, 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 twelve months period under review, no options were granted under the 2012 Share Option Scheme.

MATERIAL ACQUISITION OR DISPOSAL

- (i) On 18 December 2019, Esteem Sun Limited (“Esteem Sun”), a wholly owned subsidiary of the Company, entered into share transfer agreement with independent third parties to acquire the entire issued share capital of Total Fame Holdings Limited at a consideration of HK\$70 million. Total Fame Holdings Limited, through one of its subsidiaries, is principally engaged in the business of projects construction contracting on project basis in the PRC. The acquisition was completed on 25 May 2020 and Total Fame Holdings Limited and its subsidiaries have become the subsidiaries of the Company since then. Further details are set out in the Company’s announcements dated 18 December 2019, 23 January 2020, 24 February 2020, 2 March 2020, 27 March 2020, 15 April 2020, 25 May 2020 respectively and a circular dated 31 March 2020.
- (ii) On 14 January 2020, Shenzhen Guohua Construction Industrial Co., Ltd.* (深圳國華建業實業有限公司) (“Shenzhen Guohua”), a wholly owned subsidiary of the Company, and Ningbo Sixing Information Technology Co., Ltd.* (寧波思行信息科技有限公司) (“Ningbo Sixing”), an independent third party, entered into the equity transfer agreement pursuant to which Shenzhen Guohua conditionally agreed to acquire, and Ningbo Sixing conditionally agreed to sell, 100% equity interest in Jiangsu Meili Kongjian Construction Design Development Co., Ltd.* (江蘇美麗空間建築設計產業發展有限公司) (“Jiangsu Meili Kongjian”) at an aggregate consideration of RMB41 million. Jiangsu Meili Kongjian is principally engaged in property development in the PRC and holds land use rights of a land parcel. The acquisition was completed on 2 March 2020 and Jiangsu Meili Kongjian has become the subsidiary of the Company since then. Further details are set out in the Company’s announcement dated 14 January 2020.
- (iii) On 18 February 2020, Guohua Jiaye (Beijing) Enterprises Management Co., Ltd.* (國華佳業(北京)企業管理有限公司) (“Guohua Jiaye”), a wholly owned subsidiary of the Company, and Qingdao Maojie Enterprise Management Partnership (LLP)* (青島茂捷企業管理合夥企業(有限合夥)) and Ms. Li Jing* (李靜) (collectively as the “Independent Third Parties Vendors”), among others, entered into the equity transfer agreement pursuant to which Guohua Jiaye conditionally agreed to acquire, and the Independent Third Parties Vendors conditionally agreed to sell, the entire equity interest in Beijing Yuehai Enterprise Management Co., Ltd.* (北京岳海企業管理有限公司) (“Beijing Yuehai”), at a consideration of RMB110 million. Beijing Yuehai, through its subsidiaries, is principally engaged in the developing and utilising geothermal energy in provision of heating and cooling supply to various buildings located in residential areas in the PRC. The acquisition was completed on 24 March 2020 and Beijing Yuehai and its subsidiaries have become the subsidiaries of the Company since then. Further details are set out in the Company’s announcements dated 18 February 2020 and 24 March 2020.

- (iv) In June 2020, Baoshihua Geothermal Energy Development Co., Ltd.* (寶石花地熱能開發有限公司) (“Baoshihua Geothermal Energy”), a non-wholly owned subsidiary of the Company, entered into the equity transfer agreement with an independent third party to dispose 60% equity interest in Baoshihua Huabei Geothermal Energy Development Co., Ltd.* (寶石花華北地熱能開發有限公司) (“Baoshihua Huabei”) at a consideration of approximately RMB16 million. The disposal was completed on 18 June 2020 and the Group ceased to hold any interest in Baoshihua Huabei and its subsidiary since then.
- (v) On 8 September 2020, Huaihua Qinneng Technology Development Co., Ltd.* (懷化勤能科技開發有限公司) (“Huaihua Qinneng”), a wholly-owned subsidiary of the Company, and Yuncheng City Wandefu Hot Power Co., Ltd.* (運城市萬得福熱力有限公司) (“Yuncheng City Wandefu”) entered into the reorganisation agreement pursuant to which, among other things, Yuncheng City Wandefu agreed that Huaihua Qinneng would act as the reorganisation investor to acquire the entire equity in Yuncheng City Wandefu at a consideration of RMB110 million. Yuncheng City Wandefu is principally engaged in the business of using coal-fired boilers to provide centralized heating, including industrial steam, to areas exclusively licensed by the Yuncheng Management Committee through centralized pipe networks. The acquisition was completed on 2 November 2020 and Yuncheng City Wandefu and its subsidiary have become the subsidiaries of the Company since then. Further details are set out in the Company’s announcements dated 8 September 2020 and 3 November 2020 respectively.
- (vi) On 29 September 2020, Guohua Jiaye entered into the equity transfer and capital injection cooperation agreement with an independent third party pursuant to which Guohua Jiaye agreed to acquire 10% equity interest of Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司) (“Tiandi Youdamei”) from the independent third party at a consideration of RMB7 million. Guohua Jiaye also agreed to inject RMB14 million to subscribe 15% equity interest of Tiandi Youdamei at the same time. Upon the transactions are completed, Guohua Jiaye would hold 25% equity interest in Tiandi Youdamei. Tiandi Youdamei, through its subsidiaries and associates, is principally engaged in the provision of boutique hotel management services in the PRC under the brand name “隱廬”. The transactions were completed on 30 October 2020 and Tiandi Youdamei together with its subsidiaries and associates have become the associates of the Company since then.

(vii) On 19 November 2020, Huaihua Qinneng entered into the agreement with Haixia Energy Industrial Fund Management (Xiamen) Co., Ltd.* (海峽能源產業基金管理(廈門)有限公司) (“Haixia Fund”), a non-controlling shareholder of Baoshihua Geothermal Energy, to dispose 20% equity interest in Tangshan Jidong Geothermal Energy Development Co., Ltd* (唐山冀東地熱能開發有限公司) (“Tangshan Jidong”) held by Baoshihua Geothermal Energy, at a consideration of RMB70 million. The disposal was completed on 19 November 2020 and Tangshan Jidong ceased to be an associate of the Group since then. Further detail is set out in the Company’s announcement dated 19 November 2020.

Save as disclosed above, there was no other material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the twelve months ended 31 December 2020.

FUND RAISING ACTIVITIES

The Company did not conduct any fund raising activities in relation to issue of equity securities during the twelve months ended 31 December 2020.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the twelve months ended 31 December 2020 (31 December 2019: 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 twelve months ended 31 December 2020.

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 twelve months ended 31 December 2020 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 influence of COVID-19 pandemic, three independent non-executive directors namely, Mr. Ru Xiangnan, Mr. Liu Haiping and Mr. Liu Tonghui, were unable to attend the Company's special or annual general meetings held on 17 April 2020, 5 June 2020 and 31 August 2020 respectively.

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 twelve months ended 31 December 2020 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 twelve months ended 31 December 2020.

PUBLICATION OF THE SECOND INTERIM REPORT

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

The 2020 second 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. Qin Jie

Executive Director and Chief Executive Officer

Hong Kong, 26 February 2021

As at the date of this announcement, the Board comprises five executive directors, namely, Ms. Wang Yingqian (Chairman), Mr. Qin Jie (Chief Executive Officer), Mr. Liu Wei, Mr. Chen Wei and Mr. Fan Jie, and three independent non-executive directors, namely, Mr. Liu Haiping, Mr. Liu Tonghui and Mr. Ru Xiang.