CHINA BEST
國華集團

# CHINA BEST GROUP HOLDING LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 370)

# Interim Report 2010

# Contents

# Corporate Information

| | |
|---|---|
| **Company Name** | China Best Group Holding Limited |
| **Board of Directors** | |
| **Executive Directors** | Ms. Ma Jun Li *(Chairman)*<br>Mr. Ng Tang *(Deputy Chairman)*<br>Mr. Zhang Da Qing *(Chief Executive Officer)*<br>Mr. Ren Zheng<br>Ms. Cheung Hoi Ping<br>(Resigned on 30th June, 2010) |
| **Non-Executive Director** | Ms. Yao Haixing |
| **Independent Non-Executive Directors** | Ms. Chung Kwo Ling<br>Mr. Chan Ngai Sang Kenny<br>Ms. Xing Hua |
| **Company Secretary** | Mr. Ho Wing Kuen *FCCA, HKICPA, ACIS, ACS* |
| **Registered Office** | Clarendon House<br>2 Church Street<br>Hamilton HM11<br>Bermuda |
| **Head Office and Principal Place of Business in Hong Kong** | Room 3405, Bank of America Tower<br>12 Harcourt Road<br>Central<br>Hong Kong |
| **Auditors** | SHINEWING (HK) CPA Limited<br>43/F., The Lee Gardens<br>33 Hysan Avenue<br>Causeway Bay<br>Hong Kong |
| **Principal Banker** | HSBC<br>Industrial of Commercial Bank of China<br>China Construction Bank |
| **Principal Share Registrars and Transfer Office** | Butterfield Corporate Services Limited<br>Rosebank Centre<br>14 Bermudiana Road<br>Pembroke<br>Bermuda |
| **Hong Kong Branch Share Registrars and Transfer Office** | Tricor Tengis Limited<br>26th Floor<br>Tesbury Centre<br>28 Queen’s Road East<br>Wanchai<br>Hong Kong |

# Chairman's Message

Following the completion of the streamlining and restructuring of its businesses and assets in 2009, the Group maintained its focus on developing the raw coal mining and coke manufacturing business during the first half of the year ("1H 2010"). Meanwhile, it also took an open-minded approach to the possibility of acquiring and incorporating other potential major businesses.

The freight forwarding business continued to suffer from the deteriorating economy. Besides the U.S. market which was particularly hard hit by the financial turmoil, the operations in Singapore were also impacted by the global economic downturn and therefore both of them recorded a loss in 1H 2010.

Eventually, the global economy entered a period of fluctuation in 1H 2010. Risk of investing in the stock market has risen substantially and the Group has adopted a more prudent approach and made minimal investments so as to retain most of its capital fund for future opportunities and development.

Because of the adverse performance of the global stock market, the overall results of the Group for 1H 2010 turned into a substantial loss against the profit for the corresponding period last year. In spite of this, the Group maintained a healthy condition in its business development.

In addition, our board of directors has proposed on 26th July, 2010 to conduct a capital restructuring for and to de-register a wholly foreign owned enterprise in Jiangsu, the PRC invested and set up by the Group from 2009 to the first quarter of 2010, Liyang Guohua New Energy Co. Ltd., and its subsidiaries and branches with a view to firstly recovering its share capital, reducing capital investment in transit immediately and, finally, increasing the flexibility of the Group in managing and deploying its financial resources, and strengthening its available cash reserve.

## FUTURE PROSPECTS

In 2010, the Group has planned to continue its development of the raw coal mining and coke manufacturing businesses as the major businesses. By leveraging on the close relationship with both the governments and the private sector, the Group will continue the progress of its acquisitions of coal mines and coking projects, and, once the acquisitions are completed, incorporate the projects into our development plan in order to achieve synergy and expand our income sources. It will also extend its coverage to and identify new opportunities of collaboration in other major coal producing provinces in the PRC, such as Inner Mongolia, in order to strengthen each of the raw coal mining and coke manufacturing businesses.

Furthermore, given the national macro-economic control measures and stimulus policies of boosting domestic consumption and domestic demand implemented, as well as the governmental support to personal and corporate finance and lending businesses, the Group will actively consider other new and emerging commercial opportunities and core projects in the PRC that are in line with and complement the long-term development plan of the PRC government . The strong cash position allows the Group to diversify in terms of investment. Although the Group is confident in the prospects of its existing businesses as raw coal and coke will remain as key resources, strategically it will also take a liberal stance in the Group's future development with an aim to seizing any opportunity brought by the national economic policies that support the rapid growth in the PRC.

**Ma Jun Li**
*Chairman*

Hong Kong, 30th August, 2010

# INDEPENDENT REVIEW REPORT

信永中和
ShineWing

**SHINEWING** (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

**TO THE BOARD OF DIRECTORS OF**
**CHINA BEST GROUP HOLDING LIMITED**
*(incorporated in Bermuda with limited liability)*

**Introduction**

We have reviewed the interim financial information set out on pages 5 to 17, which comprises the condensed consolidated statement of financial position of China Best Group Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30th June, 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and the explanatory notes.

The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Review work performed**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**Review conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with HKAS 34.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Ip Yu Chak**
Practising Certificate Number: P04798

Hong Kong
30th August, 2010

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

| | *Notes* | **Six months ended** **30.6.2010** **HK$'000** **(unaudited)** | 30.6.2009 HK$'000 (unaudited) |
|---|---|---|---|
| Turnover | *3* | **4,313** | 20,081 |
| Revenue | *4* | **4,313** | 3,307 |
| Cost of sales | | **(2,161)** | (2,549) |
| Gross profit | | **2,152** | 758 |
| Loss on disposal of an associate | | **–** | (114) |
| Gain on disposal of investments held for trading | | **–** | 23,795 |
| Fair value adjustment on investments held for trading | | **(23,204)** | 2,571 |
| Other income | | **481** | 334 |
| Administrative expenses | | **(17,167)** | (15,532) |
| Finance costs | *5* | **(195)** | – |
| (Loss) profit before taxation | *6* | **(37,933)** | 11,812 |
| Taxation | *7* | **(55)** | (2,651) |
| (Loss) profit for the period attributable to owners of the Company | | **(37,988)** | 9,161 |
| Other comprehensive income for the period: | | | |
| Exchange differences arising on translation of foreign operations | | **1,290** | 510 |
| Total comprehensive (expenses) income for the period attributable to owners of the Company | | **(36,698)** | 9,671 |
| (Loss) earnings per share (in the Hong Kong cents) | *9* | | |
| – basic and diluted | | **(1.80)** | 0.43 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

| | *Notes* | **30.6.2010 HK$'000 (unaudited)** | 31.12.2009 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | *10* | **1,860** | 1,860 |
| Property, plant and equipment | *10* | **663** | 713 |
| Available-for-sale investments | | **7,500** | 7,500 |
| | | **10,023** | 10,073 |
| **Current assets** | | | |
| Trade and other receivables | *11* | **1,431** | 1,754 |
| Investments held for trading | | **44,993** | 53,741 |
| Tax recoverable | | **44** | 44 |
| Deposits placed with security brokers | | **463** | 9,014 |
| Bank balances and cash | | **300,127** | 314,504 |
| | | **347,058** | 379,057 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **14,041** | 14,014 |
| Margin loan payables | *13* | **4,753** | 161 |
| Taxation payable | | **5,630** | 5,600 |
| | | **24,424** | 19,775 |
| **Net current assets** | | **322,634** | 359,282 |
| | | **332,657** | 369,355 |
| **Capital and reserves** | | | |
| Share capital | *14* | **105,490** | 105,490 |
| Reserves | | **227,167** | 263,865 |
| | | **332,657** | 369,355 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Contributed surplus** | **Translation reserve** | **Share options reserve** | **Accumulated losses** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | *(Note 14)* | | *(Note)* | | | | |
| At 1st January, 2009 | 527,449 | 268,489 | 1,996 | 575 | 41,749 | (475,840) | 364,418 |
| Total comprehensive income for the period | – | – | – | 510 | – | 9,161 | 9,671 |
| Capital reduction *(Note 14)* | (421,959) | – | – | – | – | 421,959 | – |
| At 30th June, 2009 (unaudited) | 105,490 | 268,489 | 1,996 | 1,085 | 41,749 | (44,720) | 374,089 |
| Total comprehensive expense for the period | – | – | – | (1,002) | – | (2,799) | (3,801) |
| Disposal of subsidiaries | – | – | – | (933) | – | – | (933) |
| At 31st December, 2009 (Audited) | 105,490 | 268,489 | 1,996 | (850) | 41,749 | (47,519) | 369,355 |
| Total comprehensive income (expenses) for the period | – | – | – | 1,290 | – | (37,988) | (36,698) |
| At 30th June, 2010 (unaudited) | 105,490 | 268,489 | 1,996 | 440 | 41,749 | (85,507) | 332,657 |

*Note:*

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in 1996 and the nominal value of the Company's shares issued in exchange.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2010

| | Six months ended | |
|---|---|---|
| | **30.6.2010** | 30.6.2009 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Net cash used in operating activities | **(21,714)** | (11,381) |
| Net cash from investing activities | **1,964** | 9,921 |
| Net cash from financing activities | **4,397** | – |
| Net decrease in cash and cash equivalents | **(15,353)** | (1,460) |
| Cash and cash equivalents at 1st January | **314,504** | 22,017 |
| Effect of foreign exchange rate changes | **976** | 20 |
| Cash and cash equivalents at 30th June, represented by bank balances and cash | **300,127** | 20,577 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30th June, 2010

## 1. GENERAL AND BASIS OF PREPARATION

China Best Group Holding Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information of the interim report.

The condensed consolidated financial information are prepared in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis, except for investment property and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation ("new and revised HKFRSs") issued by the HKICPA.

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendment) | Eligible Hedged Items |
| HKFRS 1 (Revised) | First-time Adoption of HKFRSs |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK(IFRIC) – Interpretation ("INT") 17 | Distributions of Non-cash Assets to Owners |

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Except as described above, the adoption of other new and revised HKFRSs had no material effect on the consolidated financial information of the Group for the current or prior periods.

The Group has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1] |
| HKAS 24 (Revised) | Related Party Disclosures[4] |
| HKAS 32 (Amendment) | Classification of Rights Issues[2] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3] |
| HKFRS 9 | Financial Instruments[5] |
| HK(IFRIC) – INT 14 (Amendment) | Prepayments of a Minimum Funding Requirement[4] |
| HK(IFRIC) – INT 19 | Extinguishing Financial Liabilities with Equity Instruments[3] |

1 *Amendments that are effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1st February, 2010.*
3 *Effective for annual periods beginning on or after 1st July, 2010.*
4 *Effective for annual periods beginning on or after 1st January, 2011.*
5 *Effective for annual periods beginning on or after 1st January, 2013.*

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. TURNOVER

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

| | Six months ended | |
|---|---|---|
| | **30.6.2010** | 30.6.2009 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Provision of international air and sea freight forwarding services | **2,786** | 3,307 |
| Gross proceeds from disposal of investments held for trading | **–** | 16,774 |
| Dividend income from investments held for trading | **1,527** | – |
| | **4,313** | 20,081 |

## 4. REVENUE AND SEGMENTAL INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

**For the six months ended 30th June, 2010 (unaudited)**

| | **International air and sea freight forwarding HK$'000** | **Securities trading HK$'000** | **Total HK$'000** |
|---|---|---|---|
| Revenue | | | |
| External | 2,786 | 1,527 | 4,313 |
| Segment loss | (603) | (20,277) | (20,880) |
| Unallocated corporate expenses | | | (17,467) |
| Interest income | | | 414 |
| Loss before taxation | | | (37,933) |

## 4. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

For the six months ended 30th June, 2009 (unaudited)

| | International air and sea freight forwarding HK$'000 | Securities trading HK$'000 | Total HK$'000 |
|---|---|---|---|
| Revenue | | | |
| External | 3,307 | – | 3,307 |
| Segment (loss) profit | (141) | 26,424 | 26,283 |
| Unallocated corporate expenses | | | (14,359) |
| Interest income | | | 2 |
| Loss on disposal of an associate | | | (114) |
| Profit before taxation | | | 11,812 |

Segment (loss) profit represents the loss from or profit earned by each segment without allocation of central administration costs, directors' salaries, interest income and loss on disposal of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

**Segment assets**

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

| | **International air and sea freight forwarding HK$'000** | **Securities trading HK$'000** | **Total HK$'000** |
|---|---|---|---|
| **At 30th June, 2010** | | | |
| Segment assets | **3,583** | **120,632** | **124,215** |
| | HK$'000 | HK$'000 | HK$'000 |
| At 31st December, 2009 | | | |
| Segment assets | 4,081 | 143,066 | 147,147 |

## 5. FINANCE COSTS

| | Six months ended 30.6.2010 HK$'000 (unaudited) | Six months ended 30.6.2009 HK$'000 (unaudited) |
|---|---|---|
| Interest on margin loan payables wholly repayable within five years | **195** | – |

## 6. (LOSS) PROFIT BEFORE TAXATION

| | Six months ended 30.6.2010 HK$'000 (unaudited) | Six months ended 30.6.2009 HK$'000 (unaudited) |
|---|---|---|
| (Loss) profit before taxation has been arrived at after charging (crediting) the following items: | | |
| Depreciation of property, plant and equipment | **71** | 389 |
| Employee benefit expenses | **4,382** | 2,446 |
| Written off of property, plant and equipment | **1** | – |
| Operating lease payment in respect of rented premises | **1,619** | 1,062 |
| Interest income | **(459)** | (4) |

## 7. INCOME TAX EXPENSE

| | Six months ended 30.6.2010 HK$'000 (unaudited) | Six months ended 30.6.2009 HK$'000 (unaudited) |
|---|---|---|
| Current tax: | | |
| Hong Kong Profits Tax | **–** | 2,651 |
| PRC Enterprise Income Tax | **54** | – |
| Singapore Enterprise Income Tax | **1** | – |
| | **55** | 2,651 |

## 7. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30th June, 2009.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the period ended 30th June, 2010.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

## 8. DIVIDENDS

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30th June, 2010 and 2009.

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30th June, 2010 is based on the loss for the period attributable to the owners of the Company of approximately HK$37,988,000 (six months ended 30th June, 2009: profit for the period of approximately HK$9,161,000) and on the weighted average number of 2,109,796,000 (six months ended 30th June, 2009 as restated: 2,109,796,000 due to a share consolidation of every 5 shares of the Company into one share which was completed on 6th October, 2009) ordinary shares in issue during the period.

The diluted (loss) earnings per share for the six months ended 30th June, 2010 and 2009 are the same as basic (loss) earnings per share as the conversion of the Company's outstanding share options would result in a decrease in basic (loss) earnings per share. The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of the Company's option was higher than the average market price for shares.

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

During the current period, the Group spent approximately HK$22,000 (six months ended 30th June, 2009: HK$205,000) on property, plant and equipment. There was no addition for investment property for the six months ended 30th June, 2010 and 2009.

In the opinion of the directors, there are no material difference between the carrying amounts of the investment property and their fair values at 30th June, 2010.

## 11. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days. Included in trade and other receivables (net of allowance for doubtful debts) are trade receivables with the following aged analysis:

| | **30.6.2010 HK$'000 (unaudited)** | 31.12.2009 HK$'000 (audited) |
|---|---|---|
| 0 – 30 days | **454** | 432 |
| 31 – 60 days | **144** | 336 |
| 61 – 90 days | **30** | 36 |
| | **628** | 804 |
| Deposits and prepayments | **803** | 950 |
| | **1,431** | 1,754 |

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bill payables with the following aged analysis:

| | **30.6.2010 HK$'000 (unaudited)** | 31.12.2009 HK$'000 (audited) |
|---|---|---|
| 0 – 30 days | **258** | 98 |
| 31 – 60 days | **21** | 15 |
| 61 – 90 days | **–** | 6 |
| Over 90 days | **1,884** | 1,864 |
| | **2,163** | 1,983 |
| Accrued charges and other payables | **11,878** | 12,031 |
| | **14,041** | 14,014 |

## 13. MARGIN LOAN PAYABLES

During the current period, the Group obtained margin loan to finance the acquisition of investments held for trading securities.

The margin loan payables carry fixed interest rate of 8% (for the period ended 30th June, 2009: Nil) per annum and are payable on demand.

## 14. SHARE CAPITAL

| | Nominal value per share | Number of shares | Share capital |
|---|---|---|---|
| | HK$ | '000 | HK$'000 |
| **Authorised:** | | | |
| At 1st January, 2009 | 0.05 | 50,000,000 | 2,500,000 |
| Share sub-division *(note a)* | | 200,000,000 | – |
| Share consolidation *(note b)* | | (200,000,000) | – |
| **At 31st December, 2009, 1st January, 2010 and 30th June, 2010** | 0.05 | 50,000,000 | 2,500,000 |
| **Issued and fully paid:** | | | |
| At 1st January, 2009 | 0.05 | 10,548,979 | 527,449 |
| Capital reduction *(note a)* | | – | (421,959) |
| Share consolidation *(note b)* | | (8,439,183) | – |
| **At 31st December, 2009, 1st January, 2010 and 30th June, 2010** | 0.05 | 2,109,796 | 105,490 |

*Notes:*

(a) Pursuant to a special resolution passed at the special general meeting of the Company held on 17th June, 2009, the Company carried out the following capital reorganisation ("Capital Reorganisation") with effect on 18th June, 2009 as follows:

(i) the par value of issued capital of the Company was reduced by reducing the par value of each share of the Company in issue from HK$0.05 to HK$0.01 each by cancellation of HK$0.04 of the paid-up capital on each share in issue ("Capital Reduction"). Immediately following the Capital Reduction, each issued share with a par value of HK$0.05 in the share capital of the Company shall be treated as one fully paid-up share with a par value of HK$0.01 each in the share capital of the Company;

(ii) each of the authorised but unissued shares with a par value of HK$0.05 each in the share capital of the Company was sub-divided into 5 unissued shares with a par value of HK$0.01 each in the share capital of the Company; and

(iii) the credit amount arising in the books of the Company from the Capital Reduction of approximately HK$421,959,000 was applied setting off against part of the accumulated losses of the Company.

Details of the Capital Reorganisation are set out in a circular to the shareholders of the Company dated 26th May, 2009.

(b) Pursuant to a special resolution passed at the special general meeting of the Company held on 6th October, 2009, the Company carried out the share consolidation (the "Share Consolidation") on the basis that every 5 issued and unissued shares of HK$0.01 each in the share capital of the Company was consolidated into one consolidated share of HK$0.05 each.

## 15. OPERATING LEASES COMMITMENTS

**The Group as lessee**

As at 30th June, 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (audited) |
| Within one year | **3,559** | 3,408 |
| In the second to fifth years inclusive | **1,589** | 3,327 |
| | **5,148** | 6,735 |

## 16. CONTINGENT LIABILITIES

As at 30th June, 2010, the Group provided a financial guarantee of HK$122,000 (as at 31st December, 2009: HK$183,000) to an independent third party.

## 17. PLEDGE OF ASSETS

As at 30th June, 2010, the Group had pledged the investments held for trading of approximately HK$19,353,000 (at 31st December, 2009: HK$161,000) to secure the Group's margin loan payables.

## 18. RELATED PARTY TRANSACTIONS

**Compensation of key management personnel**

The remuneration of directors and other members of key management for the six months ended 30th June, 2010 and 2009 was as follows:

| | **Six months ended** | |
|---|---|---|
| | **30.6.2010** | 30.6.2009 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Short-term benefits | **2,635** | 779 |
| Retirement benefits contribution | **44** | 26 |
| | **2,679** | 805 |

| | 2010 Interim HK$'M | 2009 Final HK$'M | 2009 Interim HK$'M |
|---|---|---|---|
| **Financial Results Highlight** | | | |
| Turnover | **4.3** | 245.8 | 20.1 |
| Gross Profit | **2.2** | 2.0 | 0.8 |
| Other operating Income/(Loss) | **(22.7)** | 35.8 | 26.4 |
| Total expenses | **(17.3)** | (31.5) | (15.5) |
| NP(L)BT&M | **(37.9)** | 6.3 | 11.8 |
| NP(L)AT&M | **(37.9)** | 6.3 | 9.2 |
| **Extract of Financial Position** | | | |
| Total Assets | **357.1** | 389.1 | 415.8 |
| Total Liabilities | **(24.4)** | (19.8) | (41.8) |
| Net Current Assets | **322.6** | 359.3 | 47.4 |
| Cash and Bank Balance | **300.1** | 314.5 | 20.6 |
| Total Net Assets | **332.7** | 369.4 | 374.1 |

The consolidated turnover of the Group amounted to HK$4,313,000 for the six months ended 30th June, 2010 (six months ended 30th June, 2009: HK$20,081,000). Total gross profit was approximately HK$2,152,000 (six months ended 30th June, 2009: HK$758,000 gross profit). For the six months ended 30th June, 2010, the Group recorded net other operating loss of HK$22,723,000 (six months ended 30th June, 2009: HK$26,366,000 net other operating income) and total expenses of HK$17,362,000 (six months ended 30th June, 2009: HK$15,532,000) and net loss before Taxation and Minority Interest HK$37,933,000 (six months ended 30th June, 2009: HK$11,812,000 profit). Finally, the net loss after Taxation and Minority Interest was approximately HK$37,988,000 (six months ended 30th June, 2009: HK$9,161,000 profit).

## BUSINESS REVIEW

### Coke Business

There was no turnover of coke/coal enterprise for the six months ended 30th June, 2009 and 2010.

### Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$2,786,000 (six months ended 30th June, 2009: HK$3,307,000), representing a decrease of 19% as compared to the previous corresponding period. Total gross profit was HK$634,000, (six months ended 30th June, 2009: HK$758,000), a decrease of HK$124,000 comparing with the previous corresponding period.

The group's freight forwarding business was dropped as international freight forwarding business had still faced the keen competition and unbalanced recovery of global economy.

### Securities Investment

The total transaction volume of the Group's securities investment business was HK$1,527,000 (six months ended 30th June, 2009: HK$103,498,000), representing a significant decrease of amount HK$101,971,000 as compared to the previous corresponding period. The realised and unrealised loss on a fair value adjustment of was HK$23,204,000 for investments held for trading during the period under review (six months ended 30th June, 2009: HK$26,366,000 gain).

## LIQUIDITY AND CASHFLOW RESOURCES

The gearing ratio maintained is nearly at zero (31st December, 2009: zero) and the current ratio decreased from 19.17 to 14.21. The calculation of gearing ratio is based on interest bearing borrowings of HK$4,753,000 (31st December, 2009: HK$161,000) and the shareholders' equity of HK$332,657,000 (31st December, 2009: HK$369,355,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK$347,058,000 (31st December, 2009: HK$379,057,000) and the current liabilities of HK$24,424,000 (31st December, 2009: HK$19,775,000) at the balance sheet date.

The cash and bank was HK$300,127,000 (31st December, 2009: HK$314,504,000) and the high liquid asset investment held for trading was HK$44,993,000 (31st December, 2009: HK$53,741,000) indicated that the Group got strong cash position at the balance sheet date. The Group has sufficient and readily available financial resources for both general working capital purpose and feasible acquisition of the proposed investments in the PRC may encounter or contemplate in the future.

## PLEDGE OF ASSETS

At the balance sheet date, the Group's securities of HK$19,353,000 (31st December, 2009: HK$161,000) were pledged to brokers to secure the margin loan. At the balance sheet date, there was no other significant assets pledged to banks to secure general banking facilities granted to the Group and the post dated bills payable (31st December, 2009: HK$Nil).

## CAPITAL EXPENDITURE

For the period under review, the Group incurred a total capital expenditure on property, plant and equipment of HK$22,000 (six months ended 30th June, 2009: HK$205,000), which was funded by its own financial resources.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, US dollars and Renminbi. During the period, there was no significant fluctuation in the exchange rates of the Hong Kong dollars and US dollars. The appreciation in the currency value of the Renminbi may have some impact especially for the WOFE or joint venture in PRC. The monetary assets of the Group in the currency value of US dollars are also subject to the risk of exchange rate fluctuation. The Group will take a prudent approach for this impact but in the meant time do not engage in any derivative activities and not commit to any financial instruments to hedge its balance sheet exposure in 2010.

## CHANGE OF DIRECTORSHIP

On 30th June, 2010, Ms. Cheung Hoi Ping was resigned as executive director of the Company.

## EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 32 staff at 30th June, 2010 (31st December, 2009: 32). The remuneration of employees was determined with reference to the market terms, their qualification, experience and performance to the Company. The total staff cost incurred for the six months ended 30th June, 2010 was approximately HK$4,382,000 (six months ended 30th June, 2009: HK$2,446,000). As per Listing Rules, the staff of the issuer's accounting and financial reporting function should have adequate training programmes and budget.

## BUSINESS PROSPECT

The Group is principally engaged in coke processing, international air and sea freight forwarding and the provision of logistics services as well as trading of securities. In order to strengthen the core business – coal and coke processing, we continue to dig out investment opportunities for business development.

Furthermore, the Group had strengthened the financial position and re-located more resources to occupy our unique market position in China. Through our group's international exposure in management & financing, and followed the National policy of PRC, we endeavor and are confident to develop successful business model to obtain high contribution and stable revenue from new business in the future. The Group had put US$28 million and prepared to invest for new energy business in Jiansu from 2009 to 1Q2010 by setting up a PRC WOFE, Liyang Guohua New Energy Co. Ltd., and its subsidiary and branch office ("Liyang Guohua Group"). However, after detailed investigation, thorough feasibility study and marketing research on the new projects, our Beijing business development department got the unfavourable results over these new energy projects. In addition, due to the change of business environment, the Group decided to adjust its strategy to de-register the Liyang Guohua Group and try to re-allocate & return the investment funds for its better flexibility of financial management.

Although the stringent environmental legislations and recent Global Financial Crunch may have impact for the industry, PRC still maintains as an economic region with stable continuous health growth. The future development prospect of coal and coke industry in PRC is considered to be optimistic because the increase of internal demand of PRC economy will stimulate the demand of mobile vehicles in the villages. Furthermore, some new macro national policies of PRC publicized may give incentive for the new potential business.

It is expected China will be the one who will be the first recovered economy after the Global Financial Crisis. In addition to the energy business activities which considered to be invaluable scarcity of energy resource and related coke processing, it is also a great opportunity for us to look for any other high growth businesses in PRC actively.

## INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2010(six months ended 30th June, 2009: Nil).

# Other Information

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th June, 2010, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

**Long Position in shares and underlying shares of the Company**

| Name of directors | | Capacity | Interest in shares | Percentage of the issued share capital of the Company |
|---|---|---|---|---|
| Ms. Ma Jun Li | *Note 1* | Deemed Interest | 660,558,000 | 31.31% |
| Mr. Ng Tang | *Note 2* | Interest by attribution | 9,259,200 | 0.44% |
| Mr. Ren Zheng | | Beneficial owner | 400,000 | 0.02% |

*Notes:*

1. The shares represent deemed interest of Ms. Ma Jun Li by virtue of her spouse, Mr. Wang Jian Hua, being a substantial shareholder of the Company having a notifiable interest in the Company of such 634,161,600 shares were held by Best Chance Holdings Limited. By virtue of the SFO, Mr. Wang Jian Hua holding more than one third of voting rights of Best Chance Holdings Limited. Furthermore, 26,396,400 shares are held and beneficially owned by Mr. Wang Jian Hua.

2. 9,259,200 shares were held by Power Win Group Limited. By virtue of the SFO, Mr. Ng Tang holding more than one third of voting rights of Power Win Group Limited, was deemed to be interested in the same 9,259,200 shares held by Power Win Group Limited.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 30th June, 2010, none of the directors and chief executives, nor their associates, had any interests or short positions in any shares, underlying shares or convertible bonds of the Company or any of its associated corporations.

## SHARE OPTIONS

The Company has share option scheme which was adopted on 18th March, 2002 (the "2002 Scheme").

The following table discloses movements in the share options of the Company during the period:

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| The 2002 Scheme | Date of grant | Exercisable period | Exercise price | At 1.1.2010 | Granted during the period | Exercised during the period | Surrendered/ Lapsed during the the period | At 30.6.2010 |
| Other employees | 5.10.2004 | 5.10.2004 to 5.10.2014 | 0.3170 | 224,749 | – | – | – | 224,749 |
| | 26.9.2005 | 26.9.2005 to 25.9.2015 | 0.3695 | 1,168,696 | – | – | – | 1,168,696 |
| | 20.8.2007 | 20.8.2007 to 20.8.2017 | 0.6275 | 20,227,425 | – | – | – | 20,227,425 |
| Sub-total | | | | 21,620,870 | – | – | – | 21,620,870 |
| Other eligible persons | 5.10.2004 | 5.10.2004 to 5.10.2014 | 0.3170 | 5,618,729 | – | – | – | 5,618,729 |
| | 26.9.2005 | 26.9.2005 to 25.9.2015 | 0.3695 | 67,649,498 | – | – | – | 67,649,498 |
| | 20.8.2007 | 20.8.2007 to 20.8.2017 | 0.6275 | 27,194,648 | – | – | – | 27,194,648 |
| | 7.9.2007 | 7.9.2007 to 7.9.2017 | 0.6850 | 13,484,949 | – | – | – | 13,484,949 |
| | 28.9.2007 | 28.9.2007 to 28.9.2017 | 0.7385 | 4,494,983 | – | – | – | 4,494,983 |
| Sub-total | | | | 118,442,807 | – | – | – | 118,442,807 |
| Total | | | | 140,063,677 | – | – | – | 140,063,677 |

## SHARE OPTION SCHEMES

**The 2002 Scheme**

On 18th March, 2002, the Company adopted the 2002 Scheme under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company in issue as at the date of adoption of the 2002 Scheme. Whereas refresh approvals from the shareholders of the Company was obtained on 4th May, 2005 and 6th August, 2007 respectively. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company (including the 1996 Scheme) shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

## ARRANGEMENTS TO PURCHASE SHARES OF DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the six months ended 30th June, 2010.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th June, 2010, so far as the Directors are aware, each of the following persons, not being a Director or chief executive of the Company, had interests and short positions in the Company's shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

**Long position**

Ordinary shares of HK$0.05 each of the Company

| Name | Capacity | Interest in shares | Percentage of the Company's issued share capital |
|---|---|---|---|
| Mr. Wang Jian Hua | Controlled corporation *(Note 1)* | 634,161,600 | 30.06% |
| | Beneficial owner | 26,396,400 | 1.25% |
| Best Chance Holdings Limited | Beneficial owner *(Note 1)* | 634,161,600 | 30.06% |
| Harbinger Capital Partners Special Situations Fund L.P. | Beneficial owner *(Note 2)* | 147,360,533 | 6.98% |
| Harbinger Capital Partners Special Situations GP, LLC | Controlled corporation *(Note 2)* | 147,360,533 | 6.98% |
| Harbinger Holdings, LLC | Controlled corporation *(Note 2)* | 147,360,533 | 6.98% |
| Mr. Falcone Philip | Controlled corporation *(Note 2)* | 147,360,533 | 6.98% |

*Notes:*

(1) 634,161,600 shares was held by Best Chance Holdings Limited. By virtue of the SFO, Mr. Wang Jian Hua holding 100% of voting rights of Best Chance Holdings Limited was deemed to be interested in the same 634,161,600 shares of the Company.

(2) As Harbinger Capital Partners Special Situations Fund L.P. was wholly-owned by Harbinger Capital Partners Special Situations GP, LLC, Harbinger Capital Partners Special Situations GP, LLC was deemed to be interested in these 147,360,533 Shares held by Harbinger Capital Partners Special Situations Fund L.P. As Harbinger Capital Partners Special Situations GP, LLC was wholly-owned by Harbinger Holdings, LLC, Harbinger Holdings, LLC was deemed to be interested in these 147,360,533 Shares held by Harbinger Capital Partners Special Situations Fund L.P. As Harbinger Holdings, LLC was wholly-owned by Mr. Philip Falcone, Mr. Philip Falcone was deemed to be interested in these 147,360,533 Shares held by Harbinger Capital Partners Special Situations Fund L.P.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2010.

# Other Information

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2010 under review.

## AUDIT COMMITTEE

The Interim Report, which is prepared in accordance with HKAS 34 "Interim Financial Reporting", has also been reviewed by the Company's independent auditors Messrs. SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standards on Review Engagements 2400 "Engagements to Review Financial Statements".

The Audit Committee of the Board, consisted of three independent non-executive directors, has reviewed and discussed with the management the Company's unaudited Interim Report and the internal control as well as financial reporting matter and recommended its adoption by the Board.

## CORPORATE GOVERNANCE

During the six months ended 30th June, 2010, the Company has fully complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for deviation from Code Provisions A.4.1.

All of the non-executive directors are not appointed for a specific term (Code Provision A.4.1) but are subject to retirement by rotation once every three years and eligible for re-election at the annual general meeting under the Company's Bye-laws.

## INTERNAL CONTROL

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, immediately following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th June, 2010.

## PUBLICATION OF INTERIM REPORT

This interim report is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.cbgroup.com.hk).