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**CHINA BEST GROUP HOLDING LIMITED**  
**國華集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board of directors (the “Board”) of China Best Group Holding Limited (the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 together with the comparative figures for the six months ended 30 June 2015.

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

*For the six months ended 30 June 2016*

|                              |             | <b>Six months ended</b> |                                 |
|------------------------------|-------------|-------------------------|---------------------------------|
|                              |             | <b>30.6.2016</b>        | <b>30.6.2015</b>                |
|                              | <i>Note</i> | <b>HK\$'000</b>         | <b>HK\$'000</b>                 |
|                              |             | <b>(Unaudited)</b>      | <b>(Unaudited and restated)</b> |
| <b>Continuing operations</b> |             |                         |                                 |
| Turnover                     | 3           | <b>389,979</b>          | <b>310,334</b>                  |

\* *For identification purpose only*

|  | Notes | Six months ended                     |  |
|--|-------|--------------------------------------|--|
|  |       | 30.6.2016<br>HK\$'000<br>(Unaudited) | 30.6.2015<br>HK\$'000<br>(Unaudited<br>and restated) |
| Revenue  | 4     | 267,346                              | 205,222  |
| Cost of sales  |       | (238,324)                            | (193,553)  |
| Gross profit   |       | 29,022                               | 11,669   |
| Other income   |       | 1,467                                | 1,108  |
| Administrative and other expenses  |       | (33,984)                             | (19,395)   |
| Realised (loss) gain on held for trading investments   |       | (7,566)                              | 26,470   |
| Unrealised gain on held for trading investments  |       | 10,096                               | 123,554  |
| Impairment loss on an available-for-sale investment  | 7(i)  | (4,761)                              | –  |
| Share of losses of associates  |       | (6,872)                              | (167)  |
| (Loss) profit before tax   | 5     | (12,598)                             | 143,239  |
| Income tax expense   | 6     | (2,517)                              | (9)  |
| (Loss) profit for the period<br>from continuing operations   |       | (15,115)                             | 143,230  |
| <b>Discontinued operation</b>  |       |                                      |  |
| Profit (loss) for the period<br>from discontinued operation  | 7(ii) | 7,799                                | (2,583)  |
| <b>(Loss) profit for the period</b>  |       | <b>(7,316)</b>                       | <b>140,647</b>                                       |
| <b>Other comprehensive (loss) income<br/>for the period:</b>   |       |                                      |  |
| <i>Other comprehensive (loss) income to be<br/>reclassified to profit or loss<br/>in subsequent periods:</i> |       |                                      |  |
| Share of other comprehensive loss of associates  |       | (3,740)                              | –  |
| Exchange differences on translation of<br>foreign operations   |       | (10,013)                             | 1,818  |
| Translation reserve reclassified on disposal of<br>subsidiaries  |       | (1,947)                              | –  |
| Fair value (loss) gain<br>on available-for-sale investments  |       | (9,212)                              | 21,352   |
| Reserve released upon impairment<br>loss on an available-for-sale investment                                 |       | 4,761                                | –  |
| Other comprehensive (loss) income<br>for the period  |       | (20,151)                             | 23,170   |
| <b>Total comprehensive (loss) income<br/>for the period</b>  |       | <b>(27,467)</b>                      | <b>163,817</b>                                       |

|   | <b>Six months ended</b>    |                             |
|---|----------------------------|-----------------------------|
|   | <b>30.6.2016</b>           | 30.6.2015                   |
| <i>Note</i>   | <b><i>HK\$'000</i></b>     | <b><i>HK\$'000</i></b>      |
|   | <b>(Unaudited)</b>         | (Unaudited<br>and restated) |
| (Loss) profit for the period attributable to owners of the Company:     |                            |                             |
| – from continuing operations  | <b>(15,112)</b>            | 143,221                     |
| – from discontinued operation   | <b>8,295</b>               | (1,063)                     |
|   | <u><b>(6,817)</b></u>      | <u>142,158</u>              |
| (Loss) profit for the period attributable to non-controlling interests: |                            |                             |
| – from continuing operations  | <b>(3)</b>                 | 9                           |
| – from discontinued operation   | <b>(496)</b>               | (1,520)                     |
|   | <u><b>(499)</b></u>        | <u>(1,511)</u>              |
|   | <u><b>(7,316)</b></u>      | <u>140,647</u>              |
| Total comprehensive (loss) income for the period attributable to:       |                            |                             |
| – owners of the Company   | <b>(26,971)</b>            | 165,308                     |
| – non-controlling interests   | <b>(496)</b>               | (1,491)                     |
|   | <u><b>(27,467)</b></u>     | <u>163,817</u>              |
| <b>(Loss) earnings per share</b>  | <b>9</b>                   |                             |
| For continuing and discontinued operations                              |                            |                             |
| – basic ( <i>HK cents</i> )   | <u><b>(0.10) cents</b></u> | <u>3.31 cents</u>           |
| – diluted ( <i>HK cents</i> )   | <u><b>(0.10) cents</b></u> | <u>3.29 cents</u>           |
| For continuing operations   |                            |                             |
| – basic ( <i>HK cents</i> )   | <u><b>(0.22) cents</b></u> | <u>3.33 cents</u>           |
| – diluted ( <i>HK cents</i> )   | <u><b>(0.22) cents</b></u> | <u>3.31 cents</u>           |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

|  | <i>Notes</i> | <b>30.6.2016</b><br><b>HK\$'000</b><br><b>(Unaudited)</b> | 31.12.2015<br><b>HK\$'000</b><br><b>(Audited)</b> |
|--|--------------|---|---|
| <b>Non-current assets</b>  |              |   |   |
| Plant and equipment  |              | <b>10,864</b>   | 10,604  |
| Intangible asset   |              | <b>811</b>  | 811   |
| Interests in associates  |              | <b>101,201</b>  | 99,859  |
| Finance lease receivables  | <i>10</i>    | <b>189,192</b>  | –   |
| Loan and interest receivables                                      | <i>11</i>    | <b>40,000</b>   | –   |
| Available-for-sale investments                                     |              | <b>13,945</b>   | 51,762  |
|  |              | <b>356,013</b>  | 163,036   |
| <b>Current assets</b>  |              |   |   |
| Finance lease receivables  | <i>10</i>    | <b>52,463</b>   | 176,751   |
| Loan and interest receivables                                      | <i>11</i>    | <b>173,371</b>  | –   |
| Trade and other receivables  | <i>12</i>    | <b>132,969</b>  | 72,354  |
| Held for trading investments                                       |              | <b>112,583</b>  | 232,686   |
| Pledged bank deposit   |              | <b>58</b>   | 55  |
| Bank balances and cash   |              | <b>225,474</b>  | 87,522  |
|  |              | <b>696,918</b>  | 569,368   |
| Assets classified as held for disposal                             | <i>7</i>     | <b>28,605</b>   | 34,636  |
|  |              | <b>725,523</b>  | 604,004   |
| <b>Current liabilities</b>   |              |   |   |
| Trade and other payables   | <i>13</i>    | <b>22,425</b>   | 12,820  |
| Deferred revenue   |              | <b>4,774</b>  | –   |
| Tax liabilities  |              | <b>7,450</b>  | 6,805   |
|  |              | <b>34,649</b>   | 19,625  |
| Liabilities associated with assets classified as held for disposal | <i>7</i>     | –   | 54,396  |
|  |              | <b>34,649</b>   | 74,021  |
| <b>Net current assets</b>  |              | <b>690,874</b>  | 529,983   |
| <b>Total assets less current liabilities</b>                       |              | <b>1,046,887</b>  | 693,019   |
| <b>Capital and reserves</b>  |              |   |   |
| Share capital  |              | <b>363,228</b>  | 263,228   |
| Reserves   |              | <b>683,686</b>  | 453,266   |
| <b>Equity attributable to owners of the Company</b>                |              | <b>1,046,914</b>  | 716,494   |
| Non-controlling interests  |              | <b>(27)</b>   | (23,475)  |
| <b>Total equity</b>  |              | <b>1,046,887</b>  | 693,019   |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

The condensed consolidated financial information of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial information for the year ended 31 December 2015, except as described below.

In the current year, the Group has applied, for the first time, the following new amendments issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2016.

|  |   |
|--|---|
| Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) | <i>Annual Improvements to HKFRSs 2012 – 2014 Cycle</i>                      |
| Amendments to HKAS 1   | <i>Disclosure Initiative</i>  |
| Amendments to HKAS 16 and HKAS 38                                | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> |
| Amendments to HKAS 16 and HKAS 41                                | <i>Agriculture: Bearer Plants</i>   |
| Amendments to HKAS 27  | <i>Equity Method in Separate Financial Statements</i>                       |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28                     | <i>Investment Entities: Applying the Consolidation Exception</i>            |
| Amendments to HKFRS 11   | <i>Accounting for Acquisitions of Interests in Joint Operations</i>         |

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial information.

### ***Annual Improvements to HKFRSs 2012 – 2014 Cycle***

The *Annual Improvements to HKFRSs 2012 – 2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligations located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The application of the amendments included in the *Annual Improvements to HKFRSs 2012 – 2014 Cycle* has had no material impact on the disclosures or on the amounts recognised in the Group’s condensed consolidated financial information.

## **Amendments to HKAS 1 *Disclosure Initiative***

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments are applied retrospectively. With the application of the Amendments to HKAS 1, the share of other comprehensive income of associates accounted for using equity method was separated presented in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016.

### 3. TURNOVER

Turnover represents revenue arising on (i) trading of goods including but not limited to radio systems, electronic appliance and fuel; (ii) gross proceeds from disposal of held for trading investments; (iii) consultancy income from finance leases; (iv) interest income from finance leases; (v) provision of international air and sea freight forwarding services; (vi) interest income from money lending; and (vii) dividend income from held for trading investments during the six months ended 30 June 2016.

|  | Six months ended |                |
|--|------------------|----------------|
|  | 30.6.2016        | 30.6.2015      |
|  | HK\$'000         | HK\$'000       |
|  | (Unaudited)      | (Unaudited)    |
| Trading of goods   | 242,408          | 199,785        |
| Gross proceeds from disposal of held for trading investments       | 122,633          | 105,112        |
| Consultancy income from finance leases                             | 13,117           | –              |
| Interest income from finance leases                                | 4,784            | –              |
| Provision of international air and sea freight forwarding services | 3,667            | 4,912          |
| Interest income from money lending                                 | 3,370            | –              |
| Dividend income from held for trading investments                  | –                | 525            |
|  | <u>389,979</u>   | <u>310,334</u> |

### 4. REVENUE AND SEGMENT INFORMATION

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



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

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

The Group's money lending business was newly introduced during the six months ended 30 June 2016.

The operation of manufacture and sale of coal products of the Group was discontinued during the year ended 31 December 2015 and disposed of during the six months ended 30 June 2016. The segment information reported on the next pages does not include any amounts for the discontinued operation, which are described in more details in note 7(ii).

The following tables present revenue and segment profit regarding the Group's operating segments from continuing operations for the six months ended 30 June 2016 and 2015, respectively.

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

|   | International<br>air and<br>sea freight<br>forwarding<br><i>HK\$'000</i> | Securities<br>trading<br><i>HK\$'000</i> | Trading of<br>goods<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|--|--|--|--------------------------|
| <b>Six months ended 30 June 2015</b>      |  |  |  |                          |
| <b>(unaudited and restated)</b>           |  |  |  |                          |
| Turnover                                  | <u>4,912</u>   | <u>105,637</u>                           | <u>199,785</u>                         | <u>310,334</u>           |
| Revenue:                                  |  |  |  |                          |
| External                                  | <u>4,912</u>   | <u>525</u>                               | <u>199,785</u>                         | <u>205,222</u>           |
| Segment profit                            | <u>625</u>   | <u>150,549</u>                           | <u>6,469</u>                           | <u>157,643</u>           |
| Share of losses of associates             |  |  |  | (167)                    |
| Unallocated other income                  |  |  |  | 188                      |
| Unallocated corporate expenses            |  |  |  | <u>(14,425)</u>          |
| Profit before tax (continuing operations) |  |  |  | <u>143,239</u>           |

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

The following tables present assets and liabilities of the Group's operating segments as at 30 June 2016 and 31 December 2015:

|  | <b>International<br/>air and<br/>sea freight<br/>forwarding<br/>HK\$'000</b> | <b>Securities<br/>trading<br/>HK\$'000</b> | <b>Trading of<br/>goods<br/>HK\$'000</b> | <b>Finance<br/>leasing<br/>HK\$'000</b> | <b>Money<br/>lending<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|--|--|--|---|---------------------------------------|---------------------------|
| <b>At 30 June 2016 (unaudited)</b>     |  |  |  |   |                                       |                           |
| Segment assets                         | <u>891</u>   | <u>112,583</u>                             | <u>128,144</u>                           | <u>243,367</u>                          | <u>214,182</u>                        | 699,167                   |
| Assets classified as held for disposal |  |  |  |   |                                       | 28,605                    |
| Unallocated corporate assets           |  |  |  |   |                                       | <u>353,764</u>            |
| Total assets                           |  |  |  |   |                                       | <u>1,081,536</u>          |
| Segment liabilities                    | <u>1,649</u>   | <u>-</u>                                   | <u>5,292</u>                             | <u>10,671</u>                           | <u>-</u>                              | 17,612                    |
| Unallocated corporate liabilities      |  |  |  |   |                                       | <u>17,037</u>             |
| Total liabilities                      |  |  |  |   |                                       | <u>34,649</u>             |

|   | International<br>air and<br>sea freight<br>forwarding<br><i>HK\$'000</i> | Securities<br>trading<br><i>HK\$'000</i> | Trading of<br>goods<br><i>HK\$'000</i> | Finance<br>leasing<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|--|--|--|---------------------------------------|--------------------------|
| At 31 December 2015 (audited)   |  |  |  |                                       |                          |
| Segment assets  | <u>1,024</u>   | <u>232,686</u>                           | <u>68,177</u>                          | <u>177,352</u>                        | 479,239                  |
| Assets classified as held for<br>disposal                             |  |  |  |                                       | 34,636                   |
| Unallocated corporate assets  |  |  |  |                                       | <u>253,165</u>           |
| Total assets  |  |  |  |                                       | <u>767,040</u>           |
| Segment liabilities   | <u>1,675</u>   | <u>–</u>                                 | <u>85</u>                              | <u>2,861</u>                          | 4,621                    |
| Liabilities associated with assets<br>classified as held for disposal |  |  |  |                                       | 54,396                   |
| Unallocated corporate liabilities                                     |  |  |  |                                       | <u>15,004</u>            |
| Total liabilities   |  |  |  |                                       | <u>74,021</u>            |

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

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

## 5. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax is arrived at after charging (crediting):

|   | Six months ended                            |   |
|---|---|---|
|   | 30.6.2016<br><i>HK\$'000</i><br>(Unaudited) | 30.6.2015<br><i>HK\$'000</i><br>(Unaudited<br>and restated) |
| <b>Continuing operations</b>  |   |   |
| Auditors' remuneration  | 526   | 397   |
| Cost of inventories recognised as expenses  | 235,767                                     | 190,081   |
| Depreciation of plant and equipment   | 1,418                                       | 501   |
| Staff costs (including directors' emoluments)   | 14,242                                      | 8,987   |
| Minimum lease payments under operating lease charges<br>(including directors' and staff quarters rental expenses) | 9,324                                       | 5,260   |
| Net foreign exchange loss   | 113   | 203   |
| Bank interest income  | (89)  | (30)  |
| Gain on disposal of plant and equipment   | –   | (150)   |
| Government grant  | (23)  | (19)  |
| Interest income from overdue trade receivables  | (505)                                       | (901)   |
| Handling fees charged under money lending transactions  | (850)                                       | –   |
|   | <u>                    </u>                 | <u>                    </u>                                 |

## 6. INCOME TAX EXPENSE

|                                   | Six months ended                            |   |
|-----------------------------------|---|---|
|                                   | 30.6.2016<br><i>HK\$'000</i><br>(Unaudited) | 30.6.2015<br><i>HK\$'000</i><br>(Unaudited) |
| <b>Continuing operations</b>      |   |   |
| Current tax:                      |   |   |
| Hong Kong Profits Tax             | 30  | –   |
| PRC Enterprise Income Tax ("EIT") | 2,487                                       | –   |
| Under provision in prior years:   |   |   |
| PRC EIT                           | –   | 9   |
|                                   | <u>                    </u>                 | <u>                    </u>                 |
|                                   | <u>                    </u>                 | <u>                    </u>                 |

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2016.

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

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

## **7. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR DISPOSAL**

### ***(i) Assets classified as held for disposal at 30 June 2016***

On 30 June 2016, board resolution in respect of the redemption of available-for-sale investments with aggregate carrying amount of approximately HK\$28,605,000 has been passed. The abovementioned available-for-sale investments, which are expected to be redeemed within twelve months after the end of the reporting period, have been reclassified as assets held for disposal at the date of the board resolution, and are presented separately in the condensed consolidated statement of financial position.

On 30 June 2016, the Group has recognised an impairment loss of approximately HK\$4,761,000 in relation to an available-for-sale investment.

### ***(ii) Discontinued operation at 31 December 2015***

On 17 December 2015, the Company entered into a sale and purchase agreement with an independent third party in relation to the disposal of entire equity interests in Graceful Mind Group Limited (“Graceful Mind”), a wholly-owned subsidiary of the Company, which together with its subsidiaries (collectively referred to as the “Graceful Mind Group”) carried out all of the Group’s operation in relation to manufacture and sale of coal products, for a consideration of HK\$10,000,000.

The major classes of assets and liabilities of Graceful Mind Group as at 31 December 2015, which were presented as assets and liabilities associated with assets classified as held for disposal respectively in the condensed consolidated statement of financial position, were as follows:

|  | 31.12.2015               |
|--|--------------------------|
|  | <i>HK\$'000</i>          |
|  | (Audited)                |
| Property, plant and equipment  | 2,891                    |
| Prepaid lease payments, classified as non-current assets                     | 11,226                   |
| Goodwill   | –                        |
| Prepaid lease payments, classified as current assets                         | 264                      |
| Inventories  | 10,327                   |
| Trade and other receivables  | 7,058                    |
| Bank balances and cash   | <u>2,870</u>             |
| <br>Total assets classified as held for disposal                             | <br><u><u>34,636</u></u> |
| <br>Trade and other payables   | <br>19,721               |
| Loan from a non-controlling shareholder of a subsidiary                      | 29,609                   |
| Tax liabilities  | <u>5,066</u>             |
| <br>Total liabilities associated with assets classified as held for disposal | <br><u><u>54,396</u></u> |

The disposal was completed on 24 March 2016, on which date control of Graceful Mind was passed to the acquirer. Following the disposal of Graceful Mind, the Group discontinued its operation in manufacture and sale of coal products.

|   | <b>Six months ended</b> |                           |
|---|-------------------------|---------------------------|
|   | <b>30.6.2016</b>        | 30.6.2015                 |
|   | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i>           |
|   | <b>(Unaudited)</b>      | (Unaudited)               |
| Loss for the period   | (740)                   | (2,583)                   |
| Gain on disposal of the discontinued operation ( <i>note 14</i> ) | <u>8,539</u>            | <u>–</u>                  |
| <br>Profit (loss) for the period from discontinued operation      | <br><u><u>7,799</u></u> | <br><u><u>(2,583)</u></u> |

The loss for the period in relation to manufacture and sale of coal products for the period from 1 January 2016 to 23 March 2016, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

|  | <b>Six months ended</b> |                       |
|--|-------------------------|-----------------------|
|  | <b>30.6.2016</b>        | 30.6.2015             |
|  | <b>HK\$'000</b>         | <b>HK\$'000</b>       |
|  | <b>(Unaudited)</b>      | <b>(Unaudited)</b>    |
| Revenue  | –                       | –                     |
| Administrative and other expenses                          | <b>(403)</b>            | (1,848)               |
| Finance cost   | <b>(337)</b>            | (735)                 |
|  | <hr/>                   | <hr/>                 |
| Loss before tax  | <b>(740)</b>            | (2,583)               |
| Income tax   | –                       | –                     |
|  | <hr/>                   | <hr/>                 |
| Loss for the period  | <b><u>(740)</u></b>     | <b><u>(2,583)</u></b> |
| <br><b>Loss for the period from discontinued operation</b> |                         |                       |
| <b>attributable to:</b>                                    |                         |                       |
| – owners of the Company                                    | <b>(244)</b>            | (1,063)               |
| – non-controlling interest                                 | <b>(496)</b>            | (1,520)               |
|  | <hr/>                   | <hr/>                 |
|  | <b><u>(740)</u></b>     | <b><u>(2,583)</u></b> |
| <br><b>Loss for the period from discontinued operation</b> |                         |                       |
| <b>included the following:</b>                             |                         |                       |
| Depreciation of property, plant and equipment              | <b>256</b>              | 1,405                 |
| Amortisation of prepaid lease payment                      | <b>55</b>               | 127                   |
| Wages and salaries   | <b>91</b>               | 215                   |
|  | <hr/>                   | <hr/>                 |

During the period from 1 January 2016 to 23 March 2016, Graceful Mind Group recorded net cash outflows from operating activities of approximately HK\$1,000 (30 June 2015: approximately HK\$38,000). The carrying amounts of the assets and liabilities of the Graceful Mind Group at the date of disposal are disclosed in note 14.



## 8. DIVIDEND

No dividend has been proposed or paid by the Company for the six months ended 30 June 2016 and 2015 nor has any dividend been proposed since the end of the reporting period.

## 9. (LOSS) EARNINGS PER SHARE

### *From continuing and discontinued operations*

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

|   | <b>Six months ended</b> |                |
|---|-------------------------|----------------|
|   | <b>30.6.2016</b>        | 30.6.2015      |
|   | <b>HK\$'000</b>         | HK\$'000       |
|   | <b>(Unaudited)</b>      | (Unaudited)    |
| <b>(Loss) profit</b>  |                         |                |
| (Loss) profit for the period attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share | <u><b>(6,817)</b></u>   | <u>142,158</u> |

|   | <b>Six months ended</b>     |                      |
|---|-----------------------------|----------------------|
|   | <b>30.6.2016</b>            | 30.6.2015            |
|   | <b>(Unaudited)</b>          | (Unaudited)          |
| <b>Number of shares</b>   |                             |                      |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share   | <b>6,901,028,904</b>        | 4,297,990,267        |
| Effect of dilutive potential ordinary shares – share options                                    | <u>–</u>                    | <u>28,917,812</u>    |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | <u><b>6,901,028,904</b></u> | <u>4,326,908,079</u> |

The computation of diluted loss per share for the six months ended 30 June 2016 does not assume the exercise of the Company's outstanding share options because the exercise price of those options is higher than the average market price of the Company's shares.

***From continuing operations***

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

|  | <b>Six months ended</b> |                |
|--|-------------------------|----------------|
|  | <b>30.6.2016</b>        | 30.6.2015      |
|  | <b>HK\$'000</b>         | HK\$'000       |
|  | <b>(Unaudited)</b>      | (Unaudited)    |
| (Loss) profit for the period attributable to owners of the Company   | <b>(6,817)</b>          | 142,158        |
| <i>Less:</i> profit (loss) for the period from discontinued operation<br>attributed to the owners of the Company | <u><b>8,295</b></u>     | <u>(1,063)</u> |
| (Loss) profit for the purpose of basic and diluted (loss) earnings<br>per share from continuing operations       | <u><b>(15,112)</b></u>  | <u>143,221</u> |

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

***From discontinued operation***

Basic and diluted earnings per share for the discontinued operation for the six months ended 30 June 2016 is 0.12 HK cents (30 June 2015: basic and diluted loss per share of 0.02 HK cents), based on the profit for the six months ended 30 June 2016 from the discontinued operation of approximately HK\$8,295,000 (30 June 2015: loss of approximately HK\$1,063,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

## 10. FINANCE LEASE RECEIVABLES

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

|                                     | <b>30.6.2016</b>      | 31.12.2015            |
|-------------------------------------|-----------------------|-----------------------|
|                                     | <b>HK\$'000</b>       | <b>HK\$'000</b>       |
|                                     | <b>(Unaudited)</b>    | <b>(Audited)</b>      |
| Analysed for reporting purposes as: |                       |                       |
| – non-current assets                | <b>189,192</b>        | –                     |
| – current assets                    | <b>52,463</b>         | 176,751               |
|                                     | <b><u>241,655</u></b> | <b><u>176,751</u></b> |

|  | <b>Minimum lease payments</b> |                  | <b>Present value of minimum lease payments</b> |                  |
|--|-------------------------------|------------------|--|------------------|
|  | <b>30.6.2016</b>              | 31.12.2015       | <b>30.6.2016</b>                               | 31.12.2015       |
|  | <b>HK\$'000</b>               | <b>HK\$'000</b>  | <b>HK\$'000</b>                                | <b>HK\$'000</b>  |
|  | <b>(Unaudited)</b>            | <b>(Audited)</b> | <b>(Unaudited)</b>                             | <b>(Audited)</b> |
| Finance lease receivables comprise:                |                               |                  |  |                  |
| Within one year                                    | <b>64,797</b>                 | 180,242          | <b>52,463</b>                                  | 176,751          |
| After one year but within two years                | <b>166,663</b>                | –                | <b>164,262</b>                                 | –                |
| After two years but within five years              | <b>25,793</b>                 | –                | <b>24,930</b>                                  | –                |
|  | <b><u>257,253</u></b>         | <u>180,242</u>   | <b><u>241,655</u></b>                          | <u>176,751</u>   |
| Less: unearned interest income                     | <b><u>(15,598)</u></b>        | <u>(3,491)</u>   | <b><u>N/A</u></b>                              | <u>N/A</u>       |
| Present value of minimum lease payment receivables | <b><u>241,655</u></b>         | <u>176,751</u>   | <b><u>241,655</u></b>                          | <u>176,751</u>   |

Effective interest rates of the above finance leases range from 5.1% to 6% (31 December 2015: 5.1% to 6%) per annum.

## 11. LOAN AND INTEREST RECEIVABLES

|                                     | <b>30.6.2016</b>       | 31.12.2015      |
|-------------------------------------|------------------------|-----------------|
|                                     | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
|                                     | <b>(Unaudited)</b>     | (Audited)       |
| Loan receivables:                   |                        |                 |
| – secured                           | <b>80,000</b>          | –               |
| – unsecured                         | <b>130,000</b>         | –               |
| Interest receivables                | <b>3,371</b>           | –               |
|                                     | <u><b>213,371</b></u>  | <u>–</u>        |
|                                     | <b>30.6.2016</b>       | 31.12.2015      |
|                                     | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
|                                     | <b>(Unaudited)</b>     | (Audited)       |
| Analysed for reporting purposes as: |                        |                 |
| – non-current assets                | <b>40,000</b>          | –               |
| – current assets                    | <b>173,371</b>         | –               |
|                                     | <u><b>213,371</b></u>  | <u>–</u>        |

Effective interest rates of the above loans range from 8% – 15% per annum.

The secured loans are secured by share charges to be provided by borrowers. The loans advanced to the borrowers under the Group's money lending business had loan periods from 6 to 18 months (31 December 2015: nil). The loans provided to borrowers bore interest rate ranging from 8% - 15% per annum (31 December 2015: nil), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly or on maturity.

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

|               | <b>30.6.2016</b>       | 31.12.2015      |
|---------------|------------------------|-----------------|
|               | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
|               | <b>(Unaudited)</b>     | (Audited)       |
| 1 – 90 days   | <b>173,371</b>         | –               |
| 91 – 180 days | <b>40,000</b>          | –               |
|               | <u><b>213,371</b></u>  | <u>–</u>        |

## 12. TRADE AND OTHER RECEIVABLES

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

|   | <b>30.6.2016</b>       | 31.12.2015      |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
|   | <b>(Unaudited)</b>     | (Audited)       |
| 0 – 30 days                                 | <b>72,180</b>          | 22,452          |
| 31 – 60 days                                | <b>54,827</b>          | 360             |
| 61 – 90 days                                | <b>60</b>              | 44,195          |
| 91 – 120 days                               | –                      | –               |
| 121 – 180 days                              | –                      | –               |
| Over 180 days                               | <b>20</b>              | 16              |
|   | <u><b>127,087</b></u>  | <u>67,023</u>   |
| Trade receivables                           | <b>127,087</b>         | 67,023          |
| Deposits, prepayments and other receivables | <b>5,882</b>           | 5,331           |
|   | <u><b>132,969</b></u>  | <u>72,354</u>   |

The Group allows an average credit period from 30 to 180 days (31 December 2015: 30 to 180 days) to its trade customers.

### 13. TRADE AND OTHER PAYABLES

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

|  | <b>30.6.2016</b><br><b>HK\$'000</b><br><b>(Unaudited)</b> | 31.12.2015<br><b>HK\$'000</b><br><b>(Audited)</b> |
|--|---|---|
| 0 – 30 days                                  | 4,919   | 272   |
| 31 – 60 days                                 | 2   | 5   |
| 61 – 90 days                                 | –   | 2   |
| Over 90 days                                 | <u>607</u>  | <u>602</u>  |
| Trade payables                               | 5,528   | 881   |
| Earnest money from finance lease receivables | 5,109   | –   |
| Accrued charges and other payables           | <u>11,788</u>   | <u>11,939</u>                                     |
|  | <u><u>22,425</u></u>                                      | <u><u>12,820</u></u>                              |

The average credit period on purchases of goods is normally ranging from 30 to 90 days (31 December 2015: 30 to 90 days).

### 14. DISPOSAL OF SUBSIDIARIES

As detailed in note 7(ii), the Group discontinued its operation of manufacture and sale of coal products upon the disposal of the entire equity interests in Graceful Mind.

|                    |                                       |
|--------------------|---------------------------------------|
|                    | <b>HK\$'000</b><br><b>(Unaudited)</b> |
| Cash consideration | <u><u>10,000</u></u>                  |

The net liabilities of the Graceful Mind Group at the date of the disposal were as follows:

|  | <b>23.3.2016</b><br><b>HK\$'000</b><br><b>(Unaudited)</b>                                      |
|--|--|
| Property, plant and equipment  | 2,633  |
| Prepaid lease payment, classified as non-current assets  | 11,161   |
| Goodwill   | –  |
| Prepaid lease payments, classified as current assets   | 264  |
| Inventories  | 10,319   |
| Trade and other receivables  | 7,052  |
| Bank balances and cash   | 2,867  |
| Trade and other payables   | (19,825)   |
| Loan from a non-controlling shareholder of a subsidiary  | (29,946)   |
| Tax payables   | <u>(5,061)</u>   |
| Net liabilities disposed of  | <u><u>(20,536)</u></u>   |
| Gain on disposal of the Graceful Mind Group:   |  |
| Cash consideration received  | 10,000   |
| Net liabilities disposed of  | 20,536   |
| Cumulative exchange differences on translation of<br>foreign subsidiaries reclassified<br>from equity to profit or loss on loss of control of the subsidiaries | 1,947  |
| Non-controlling interest   | <u>(23,944)</u>  |
| Gain on disposal ( <i>note 7(ii)</i> )   | <u><u>8,539</u></u>  |
|  | <b>Six months</b><br><b>ended</b><br><b>30.6.2016</b><br><b>HK\$'000</b><br><b>(Unaudited)</b> |
| Net cash inflows from the disposal of subsidiaries:  |  |
| Cash consideration   | 10,000   |
| Less: bank balances and cash disposal of   | <u>(2,867)</u>   |
|  | <u><u>7,133</u></u>  |

The impact of Graceful Mind Group's results and cash flows in the current and prior periods is disclosed in note 7(ii).

**15. CAPITAL COMMITMENTS**

|  | <b>30.6.2016</b>       | 31.12.2015      |
|--|------------------------|-----------------|
|  | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
|  | <b>(Unaudited)</b>     | (Audited)       |
| Commitments contracted but not provided for in respect of acquisition of motor vehicle | <b><u>911</u></b>      | <u>–</u>        |

**16. EVENT AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, an available-for-sale investment with carrying amount of approximately HK\$16,366,000 classified in assets held for disposal at 30 June 2016 was redeemed and the redemption proceeds was received on 23 August 2016.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Highlights

|   | <b>Six months ended 30 June</b> |               |
|---|---------------------------------|---------------|
|   | <b>2016</b>                     | 2015          |
|   | <b><i>HK\$'M</i></b>            | <i>HK\$'M</i> |
|   |                                 | (Restated)    |
| <b>Financial Results Highlight</b>  |                                 |               |
| <b>Continuing operations</b>  |                                 |               |
| Turnover  | <b>390.0</b>                    | 310.3         |
| Gross profit  | <b>29.0</b>                     | 11.7          |
| Other operating profit (net)  | <b>4.0</b>                      | 151.1         |
| Total expenses  | <b>(34.0)</b>                   | (19.4)        |
| Impairment loss on an available-for-sale investment                       | <b>(4.8)</b>                    | –             |
| Share of losses of associates   | <b>(6.9)</b>                    | (0.2)         |
| <b>Net (loss) profit before taxation &amp; non-controlling interests</b>  |                                 |               |
| – from continuing operations  | <b>(12.6)</b>                   | 143.2         |
| – from discontinued operation   | <b>7.8</b>                      | (2.6)         |
| <b>(Loss) profit for the period attributable to owners of the Company</b> |                                 |               |
| – from continuing operations  | <b>(15.1)</b>                   | 143.2         |
| – from discontinued operation   | <b>8.3</b>                      | (1.0)         |
|   | <b>(6.8)</b>                    | 142.2         |
|   | <b>30 June</b>                  | 31 December   |
|   | <b>2016</b>                     | 2015          |
|   | <b><i>HK\$'M</i></b>            | <i>HK\$'M</i> |
| <b>Extract of Financial Position</b>                                      |                                 |               |
| Total assets  | <b>1,081.5</b>                  | 767.0         |
| Total liabilities   | <b>(34.6)</b>                   | (74.0)        |
| Net current assets  | <b>690.9</b>                    | 530.0         |
| Bank balances and cash  | <b>225.5</b>                    | 87.5          |
| Net assets  | <b>1,046.9</b>                  | 693.0         |

## **Overview**

For the six months ended 30 June 2016, the Group's turnover was approximately HK\$390.0 million, representing an increase of approximately 26% as compared with approximately HK\$310.3 million in last corresponding period. The Group recorded a gross profit of approximately HK\$29.0 million for the six months ended 30 June 2016, representing an increase of approximately 148% compared with approximately HK\$11.7 million in last corresponding period. Despite an improvement in the turnover and the gross profit of the Group, the administrative expenses also increased accordingly. The net loss for the period attributable to owners of the Company was approximately HK\$6.8 million, compared with the net profit of approximately HK\$142.2 million in last corresponding period. The loss was mainly attributable to, among other things, (i) realised loss of approximately HK\$7.6 million derived from trading in listed securities during the period (30 June 2015: realised gain of approximately HK\$26.5 million); (ii) unrealised fair value gain of approximately HK\$10.1 million in respect of investment in listed securities held for trading as at 30 June 2016 (30 June 2015: unrealised fair value gain of approximately HK\$123.6 million); (iii) impairment loss of approximately HK\$4.8 million recognised on an available-for-sale investment during the period (30 June 2015: nil); and (iv) share of losses of associates of approximately HK\$6.9 million for the period (30 June 2015: approximately HK\$0.2 million).

## **BUSINESS AND FINANCIAL REVIEW**

### **Finance Leasing Business**

The Group commenced its finance leasing business in July 2015 and has been engaged in providing finance lease services in the PRC. The sale and lease back arrangement is the main business model for existing customers. The leased assets primarily consist of plant and equipment, motor vehicle and other tangible assets. For the six months ended 30 June 2016, the turnover of the Group's finance leasing business amounted to approximately HK\$17.9 million (30 June 2015: nil) whereas segment profit of approximately HK\$11.6 million was achieved (30 June 2015: nil).

### **Money Lending Business**

The Group holds a money lenders licence in Hong Kong and provides loan facilities to prospective customers including enterprises and individuals. This segment has begun to generate returns to the Group since April 2016. For the six months ended 30 June 2016, the turnover of the Group's money lending business amounted to approximately HK\$3.4 million (30 June 2015: nil). Corresponding segment profit of approximately HK\$2.2 million was made for the six months ended 30 June 2016 (30 June 2015: nil).

## **Trading Business**

The Group is trading goods, including fuel oil, radio system and electronic appliance, in the PRC and Hong Kong. For the six months ended 30 June 2016, the turnover of the Group's trading business amounted to approximately HK\$242.4 million (30 June 2015: approximately HK\$199.8 million) whereas the gross profit was approximately HK\$6.6 million (30 June 2015: approximately HK\$9.7 million). The Group recorded a profit of approximately HK\$3.6 million (30 June 2015: approximately HK\$6.5 million) in this segment.

## **Securities Investment Business**

It represents trading of listed equity securities in the Hong Kong stock market and dividend income (if any) from such listed equity securities. For the six months ended 30 June 2016, the turnover of the Group's securities investment business amounted to approximately HK\$122.6 million (30 June 2015: approximately HK\$105.6 million). During the period, the Group recorded a realised loss of approximately HK\$7.6 million (30 June 2015: realised gain of approximately HK\$26.5 million) and a net unrealised fair value gain of the listed securities of approximately HK\$10.1 million (30 June 2015: net unrealised gain of approximately HK\$123.6 million). For the six months ended 30 June 2016, the Group did not receive any dividend income (30 June 2015: approximately HK\$0.5 million). As at 30 June 2016, the Group held trading securities with value of approximately HK\$112.6 million (31 December 2015: approximately HK\$232.7 million).

## **Freight Forwarding Business**

This segment engages in the provision of international air and sea freight forwarding and logistic services to customers in Singapore and America. For the six months ended 30 June 2016, the turnover of the Group's freight forwarding business amounted to approximately HK\$3.7 million (30 June 2015: approximately HK\$4.9 million). Corresponding gross profit of approximately HK\$1.1 million and segment profit of approximately HK\$0.2 million were made for the six months ended 30 June 2016 respectively (30 June 2015: gross profit of approximately HK\$1.4 million and segment profit of approximately HK\$0.6 million).

## **Coal Business (classified as “Discontinued Operation”)**

As disclosed in the Company’s announcement dated 17 December 2015, the Company entered into a sale and purchase agreement on the same day with an independent purchaser to dispose of the Group’s coal business. The disposal was completed in March 2016. The Company is no longer engaged in the coal business after completion of the aforesaid disposal. For the six months ended 30 June 2016, there was no turnover of coal products and the profit from this discontinued operation of approximately HK\$7.8 million mainly represented gain on the aforesaid disposal of approximately HK\$8.5 million which was off set by administrative and other costs of approximately HK\$0.7 million incurred up to the completion of disposal (30 June 2015: segment loss of approximately HK\$1.8 million).

## **OUTLOOK**

In the second half of 2016, the Group will continue reviewing its strategy of respective business segments and developments. Finance leasing and money lending segments of the Group maintained their favorable momentum of growth. The Group will prioritize its resources into these growing businesses. The trading business keeps providing stable income to the Group and balances risks and returns when the Group is developing financial service business. It will still be one of the Group’s principal businesses. The Board does not expect that the Group will enhance its business activities in the freight forwarding segment. In respect of the securities and other investments of the Group, the Board will remain cautious, closely monitor the performance of such investment portfolio and realise part of them in due course. In order to establish a financial holding platform, the Group will continue to explore different investment opportunities in financial related industries from time to time.

## **LIQUIDITY AND CASHFLOW RESOURCES**

As at 30 June 2016, the equity and net current assets of the Group amounted to approximately HK\$1,046.9 million (31 December 2015: approximately HK\$693.0 million) and HK\$690.9 million (31 December 2015: approximately HK\$530.0 million) respectively. On the same date, the Group had bank balances and cash of approximately HK\$225.5 million (31 December 2015: approximately HK\$87.5 million) and the current ratio was 20.94 (31 December 2015: 8.16). As at 30 June 2016 and 31 December 2015, the Group had no interest bearing borrowings.

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

## **PLEDGE OF ASSETS**

As at 30 June 2016 and 31 December 2015, none of the Group's securities were pledged to brokers to secure the margin loan. As at 30 June 2016 and 31 December 2015, no other significant assets were pledged to banks to secure general banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2016 and 31 December 2015, the Group had no material contingent liabilities.

## **CAPITAL EXPENDITURE**

During the six months ended 30 June 2016, the Group incurred approximately HK\$1.7 million (30 June 2015: approximately HK\$1.3 million) as capital expenditure mainly in respect of plant and equipment situated in both Hong Kong and PRC offices.

## **CAPITAL COMMITMENTS**

As at 30 June 2016, the Group had capital commitments of approximately HK\$0.9 million contracted but not provided mainly in relation to acquisition of a motor vehicle.

As at 31 December 2015, the Group had no material capital commitment.

## SIGNIFICANT INVESTMENTS HELD

As at 30 June 2016, the Group held available-for-sale investments of approximately HK\$42.6 million (31 December 2015: approximately HK\$51.8 million), of which approximately HK\$28.6 million has been reclassified as assets held for disposal at the end of reporting period, and held for trading investments of approximately HK\$112.6 million (31 December 2015: approximately HK\$232.7 million). Further information of the held for trading investments as at 30 June 2016 is set out below.

| Company Name/Stock Code                                       | Number of shares held |            | % of shareholding |            | Realised        | Unrealised      | Fair value     |                | % of Net Assets |              | Dividend received |                 | Total          |
|---|-----------------------|------------|-------------------|------------|-----------------|-----------------|----------------|----------------|-----------------|--------------|-------------------|-----------------|----------------|
|   | ('000)                |            | (% )              |            | gain (loss)     | on fair         | (HK\$'000)     | (HK\$'000)     | As at           |              | (HK\$'000)        | (HK\$'000)      | investment     |
|   | As at                 | As at      | As at             | As at      | For the period  | value change    | (Unaudited)    | (Unaudited)    | As at           | As at        | For the period    | For the period  | cost           |
|   | 30.6.2016             | 31.12.2015 | 30.6.2016         | 31.12.2015 | ended 30.6.2016 | ended 30.6.2016 | (Audited)      | (Audited)      | 30.6.2016       | 31.12.2015   | ended 30.6.2016   | ended 30.6.2015 | As at          |
| Leyou Technologies Holdings Ltd. (1089)<br>("LTHL")           | 72,000                | 117,905    | 2.51              | 4.11       | 12,433          | 18,000          | 72,000         | 88,429         | 6.88            | 12.76        | -                 | -               | 71,756         |
| China Minsheng Drawin Technology<br>Group Ltd. (726) ("CMDT") | 33,500                | 63,500     | 0.33              | 0.62       | (4,122)         | (4,355)         | 12,060         | 31,115         | 1.15            | 4.49         | -                 | -               | 8,291          |
| Chinese Energy Holdings Ltd. (8009)<br>("CEHL")               | 54,700                | 54,700     | 2.53              | 2.53       | -               | 875             | 9,354          | 8,479          | 0.89            | 1.22         | -                 | -               | 11,684         |
| Ding He Mining Holdings Ltd. (705)<br>("DHMH")                | 80,004                | 80,004     | 1.45              | 1.45       | -               | (2,560)         | 7,600          | 10,161         | 0.73            | 1.47         | -                 | -               | 14,960         |
| Co-Prosperty Holdings Ltd. (707)<br>("CPHL")                  | 27,900                | 64,900     | 0.85              | 3.19       | (1,286)         | (419)           | 7,254          | 17,848         | 0.69            | 2.58         | -                 | -               | 11,970         |
| Others (Note)   | -                     | -          | -                 | -          | (14,591)        | (1,445)         | 4,315          | 76,654         | 0.41            | 11.06        | -                 | 525             | 18,705         |
| <b>Total</b>  |                       |            |                   |            | <b>(7,566)</b>  | <b>10,096</b>   | <b>112,583</b> | <b>232,686</b> | <b>10.75</b>    | <b>33.58</b> | <b>-</b>          | <b>525</b>      | <b>137,366</b> |

Note: The fair value of each of these investments was less than 5% of fair value of all those held for trading investments of the Group as at 30 June 2016.

LTHL is principally engaged in trading and manufacturing of chicken meat products, animal feeds and chicken breeds, and since the second half of 2015, it has commenced its business diversification beyond the poultry business into the multi-media and gaming business as well. CMDT is principally engaged in property development and investment. CEHL is principally engaged in provision of management services, investment in financial and investment products, general trading, provision of factoring services and money lending. DHMH is principally engaged in mining of dolomite, and manufacture of magnesium ingots, exploration of iron ore, coal and manganese, extraction and bottling of mineral water. CPHL is principally engaged in processing, printing and sales of finished fabrics, and trading of fabrics and clothing, and has also been looking to develop, among others, new businesses in the media, cultural and entertainment industry since the last quarter of 2015.

During the period ended 30 June 2016, the Group also recognised (i) impairment loss of approximately HK\$4.8 million on an available-for-sale investment in profit or loss for the period; and (ii) fair value loss on other available-for-sale investments in the amount of approximately HK\$4.5 million as other comprehensive loss for the period. The Group's available-for-sale investments as at 30 June 2016 comprised (i) listed equity investment in London at a fair value of approximately HK\$6.4 million; (ii) unlisted equity securities in Hong Kong at cost less impairment loss, i.e. the carrying amount of approximately HK\$7.5 million; and (iii) unlisted investment in funds at fair value of approximately HK\$28.6 million which were reclassified as assets held for disposal at the end of reporting period.

As at 30 June 2016 and 31 December 2015, all financial assets at fair value through profit or loss represented listed securities in Hong Kong. The stock market was still volatile in the first half of 2016 but the downward pressure was weakened compared to that in the second half of 2015. As at 30 June 2016, the Group recorded an unrealised fair value gain of approximately HK\$10.1 million in respect of investment in listed securities held for trading.

## **FOREIGN CURRENCY EXPOSURE**

The Group's monetary assets and transactions are principally denominated in Hong Kong dollars, Renminbi and US dollars. During the period under review, there was no significant fluctuation in the exchange rates of Hong Kong dollars and US dollars whereas Renminbi had a downward adjustment, resulting in an exchange loss of approximately HK\$10.0 million recognised as other comprehensive loss of the Group. The Group will take a prudent approach against any impact arising from the fluctuation in exchange rates but currently is not engaged in any derivative activities and not committed to any financial instruments to hedge its balance sheet exposure.

## **EMPLOYEES AND HUMAN RESOURCES POLICY**

As at 30 June 2016, the Group had 55 staff. The total staff costs incurred in continuing operations for the period end 30 June 2016 was approximately HK\$14.2 million (30 June 2015: approximately HK\$9.0 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, its directors (including non-executive directors and independent non-executive directors), employees and any of its subsidiaries or associated companies, to subscribe for shares of the Company. During the period under review, no options were granted under the 2012 Share Option Scheme.

## **MATERIAL ACQUISITION OR DISPOSAL**

- (i) On 17 December 2015, the Group entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with Free Trans Holdings Limited (the “Purchaser”), an independent third party. Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire and the Group conditionally agreed to dispose of 1,100 shares in Graceful Mind Group Limited, a wholly-owned subsidiary of the Company at the consideration of HK\$10 million. The disposal was completed in March 2016. Details of the aforesaid disposal are set out in the Company’s announcement dated 17 December 2015.
- (ii) On 26 February 2016, the Group entered into a subscription contract, pursuant to which Pets Best Japan Co., Ltd. (“Pets Best”) has agreed to issue and the Group has agreed to subscribe for 8,300 new shares of Pets Best, which represent a 14.98% interests in the enlarged share capital of Pets Best upon completion of the subscription, at the consideration of Japanese Yen144,154,400 (equivalent to approximately HK\$9.9 million). The subscription was completed in March 2016 and Pets Best became an associate of the Company immediately following the completion. Details of the subscription are set out in the Company’s announcement dated 26 February 2016.

Save as disclosed above, there was no other material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies) for the six months ended 30 June 2016.



## FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Save as disclosed below, the Company has not conducted any other fund raising activities during the six months ended 30 June 2016.

| Date of announcement | Fund raising activities   | Net proceeds                  | Intended use of proceeds   | Actual use of proceeds  |
|----------------------|---|-------------------------------|--|---|
| 9 December 2015      | Issue of 2,000,000,000 new shares at the price of HK\$0.18 per share, representing a discount of approximately 26.23% to the closing price of HK\$0.244 per share as quoted on the Stock Exchange as at the latest trading day, under specific mandate granted to the directors at the special general meeting held on 18 January 2016. | Approximately HK\$356 million | <p>(a) Approximately HK\$90 million for the finance lease agreement dated 2 November 2015 (as supplemented and amended by a supplemental agreement dated 16 December 2015) (the "Finance Lease Agreement") between Rongjinda Finance Leasing Co., Ltd* (融金達融資租賃有限公司) ("Rongjinda Finance Leasing") and Dishangtie Zuche (Shenzhen) Co., Ltd* (地上鐵租車(深圳)有限公司) ("Dishengtie").</p> <p>(b) HK\$40 million for the loan agreement dated 2 November 2015 (as supplemented and amended by a supplemental agreement dated 16 December 2015) between China Best Finance Limited and Anli Holdings Limited ("Anli Holdings").</p> | <p>(a) As certain conditions precedent set out in the Finance Lease Agreement have not been fulfilled, or if applicable, waived and the deadline of 30 June 2016 for the payment has passed, Rongjinda Finance Leasing and Dishangtie entered into a termination agreement on 5 July 2016 pursuant to which the parties agreed to terminate the Finance Lease Agreement with effect from the same date. The funds originally allocated for the Finance Lease Agreement will continue to be used in the finance leasing business of the Group. Approximately HK\$84 million has been used under four finance lease agreements.</p> <p>(b) HK\$40 million was used as intended.</p> |

| Date of announcement | Fund raising activities | Net proceeds | Intended use of proceeds   | Actual use of proceeds   |
|----------------------|-------------------------|--------------|--|--|
|                      |                         |              | (c) Approximately HK\$60 million for purchase not less than 60% of the issued shares of Anli Holdings or acquiring other suitable securities companies, futures companies and/or asset management companies. | (c) As the Group has not yet exercised the call option to purchase equity interests of Anli Holdings or acquired other licenced institutions, HK\$60 million has been temporarily utilised to grant loans to its customers for maximising returns to the shareholders of the Company. Such portion of net proceeds will be used as intended. |
|                      |                         |              | (d) Approximately HK\$60 million for subscription of 55% of the enlarged equity interest in Pets Best.   | (d) Approximately HK\$12 million had been utilized for subscription of 14.98% of the enlarged equity interest in Pets Best and related transaction costs. The remaining approximately HK\$48 million will be used as intended.   |
|                      |                         |              | (e) Approximately HK\$80 million for the expansion of trading business of the Group.   | (e) Approximately HK\$76 million had been used in trading business of the Group. The remaining approximately HK\$4 million will be used as intended.   |
|                      |                         |              | (f) Approximately HK\$26 million for general working capital.  | (f) Approximately HK\$26 million was utilised for general working capital.   |

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2016 (30 June 2015: nil).

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

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

## **CORPORATE GOVERNANCE CODE OF THE LISTING RULES**

In the opinion of the Board, save as disclosed below, none of the directors of the Company are aware of any information that would reasonably indicate that the Company was not for any part of the six months ended 30 June 2016 in compliance with CG Code.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The role of the chairman was performed by Mr. Tan Xiangdong, who provided leadership for the Board and was responsible for chairing meetings, managing the operations of the Board and ensuring that all major and appropriate issues were discussed by the Board in a timely and constructive manner. He is also responsible for the strategic management of the Group and for formulating the Group's overall corporate direction and focus.

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

Under Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. One of the independent non-executive directors of the Company is not appointed for a specific term but are subject to retirement by rotation once every three years and eligible for re-election at the annual general meeting under the Company's Bye-laws.

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to various work commitments, three independent non-executive directors of the Company were unable to attend the special general meeting held on 18 January 2016; four executive directors and two independent non-executive directors of the Company were unable to attend the special general meeting held on 17 February 2016; and two independent non-executive directors of the Company were unable to attend the annual general meeting held on 24 May 2016.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three independent non-executive directors, namely, Mr. Chan Fong Kong Francis, Mr. Liu Haiping and Mr. Liu Tonghui.

The primary duties of the Audit Committee are to review the financial statements and reports and to review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Group's unaudited results for the six months ended 30 June 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, immediately following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

## **PUBLICATION OF INTERIM REPORT**

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

The 2016 Interim Report of the Company containing all the information required under Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

By Order of the Board  
**China Best Group Holding Limited**  
**Mr. Li Yang**  
*Deputy Chairman*

Hong Kong, 25 August 2016

*As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Tan Xiangdong, Mr. Li Yang, Mr. Wang Jian, Mr. Liu Wei and Mr. Chen Wei, and three independent non-executive directors, namely, Mr. Chan Fong Kong Francis, Mr. Liu Haiping and Mr. Liu Tonghui.*