CHINA BEST
國華集團

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 RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

The Board of Directors of China Best Group Holding Limited (the "Company") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2007 together with the comparative figures for the six months ended 30th June, 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Notes	**Six months ended 30th June, 2007** *HK$'000* **(unaudited)**	2006 *HK$'000* (unaudited)
Turnover	*3*	**577,960**	174,830
International air and sea freight forwarding		**7,689**	5,140
Sale of coke		**101,923**	18,594
		109,612	23,734
Cost of sales		**(113,195)**	(26,036)
Gross profit (loss)		**(3,583)**	(2,302)
Fair value adjustment on investments held for trading		**54,808**	1,452
Other income		**4,297**	3,561
Distribution selling and expenses		**(8,602)**	(3,736)
Administrative expenses		**(19,133)**	(22,708)
Interest on other borrowings wholly repayable within five years		**(7,444)**	(2,781)
Share of results of associates		**126**	145
Profit (loss) before taxation		**20,469**	(26,369)
Income tax expense	*4*	**(2,441)**	–
Profit (loss) for the period	*5*	**18,028**	(26,369)
Attributable to:			
Equity holders of the Company		**18,028**	(18,998)
Minority interests		**–**	(7,371)
		18,028	(26,369)
Earnings (loss) per share	*6*		
– basic		**HK0.30 cents**	HK(0.33) cents
– diluted		**HK0.29 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	Notes	30.6.2007 HK$'000 (unaudited)	31.12.2006 HK$'000 (audited)
Non-Current Assets			
Investment property		**1,500**	1,500
Property, plant and equipment		**175,120**	151,068
Prepaid lease payments		**3,941**	3,725
Interests in associates		**3,848**	3,722
Available-for-sale investments		**8,850**	8,850
Club debenture		**1,074**	514
		194,333	169,379
Current Assets			
Inventories		**20,375**	4,785
Trade and other receivables	*7*	**41,526**	19,263
Prepaid lease payments		**19**	19
Short term loan receivables		**7,555**	5,976
Investments held for trading		**2,820**	70,820
Deposits placed with security brokers		**105,494**	1,657
Pledged bank deposits		**14,610**	24,349
Bank balances and cash		**39,608**	26,652
		232,007	153,521
Current Liabilities			
Trade and other payables	*8*	**257,184**	223,043
Taxation payable		**3,236**	795
Other borrowings		**74,413**	41,114
		334,833	264,952
Net Current Liabilities		**(102,826)**	(111,431)
Total Assets Less Current Liabilities		**91,507**	57,948
Non-current liability			
Other borrowings		**32,577**	26,533
		58,930	31,415
Capital and Reserves			
Share capital		**309,824**	302,449
Reserves		**(209,424)**	(229,564)
Equity attributable to equity holders of the Company		**100,400**	72,885
Minority interests		**(41,470)**	(41,470)
Total Equity		**58,930**	31,415

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared on the following bases:

(i) The condensed consolidated financial statements 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 of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting".

(ii) In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the consolidated net current liabilities of approximately HK$102.8 million at 30th June, 2007 and profit of approximately HK$18.0 million for the six months then ended.

During the year ended 31st December, 2005, in order to take advantage of further growth opportunities, the Group explored the business opportunities in the coke industry. The Group entered into a subscription agreement ("Subscription Agreement") with Shanxi Changxing Yuci Coking Co, Limited ("Shanxi Changxing"), Mr. Yu-wen Jiang Ming ("Mr. Yu-wen") and Ms. Yu-wen Man Rui ("Ms. Yu-wen"), independent third parties, in February 2005 under which the Group and Mr. Yu-wen agreed to subscribe for a total of RMB64.3 million and RMB41.7 million, respectively, in the additional share capital of Shanxi Changxing.

Upon completion of the Subscription Agreement, Shanxi Changxing will be owned as to 51% by the Group, as to approximately 44.2% by Mr. Yu-wen and 4.8% by Ms. Yu-wen. The principal activity of Shangxi Changxing is the manufacture and sale of coke and certain by-products in the Peoples' Republic of China (the "PRC"). The acquisition was approved by the shareholders of the Company at the special general meeting on 23rd June, 2005, details of which are set out in the circular of the Company dated 7th June, 2005. During the year ended 31st December, 2005, the Group made an initial investment of RMB42.2 million and a further RMB22.1 million (equivalent to approximately HK$23.1 million) was finally injected into Shanxi Changxing on 1st August, 2007, in accordance with the Subscription Agreement.

Shanxi Changxing became a subsidiary of the Group when the Group obtained control of Shanxi Changxing by appointing the majority of directors to the board of directors of Shanxi Changxing, which has the power to govern the financial and operating policies of Shangxi Changxing, on 2nd July, 2005. Accordingly, the Group's has commenced to account for Shanxi Changxing as a subsidiary in accordance with Hong Kong Accounting Standard ("HKAS") 27 "Consolidated and Separate Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") from 2nd July, 2005.

In accordance with the Group's strategic plan, the directors of the Company will assess and review the performance of the Company's subsidiaries on a timely basis. In the circumstances that those investments are non-performing, the Group will discontinue further support in those investments to preserve the Group's financial and liquidity position in the short term as well as maintaining the long term growth and development of the Group.

Shanxi Changxing had sustained net current liabilities of approximately HK$255.0 million at 30th June, 2007 and loss of approximately HK$27.0 million for the six months then ended. Shanxi Changxing is currently focusing on strengthening its operations of manufacturing and sale of coke, and the management of Shanxi Changxing is implementing active cost-saving and value-adding measures to improve its operating cash flows and financial position.

The directors have given careful consideration to the financial performance and liquidity position of Shanxi Changxing since it became a subsidiary of the Company. Should Shanxi Changxing's operating results and cash flows be unable to improve, the Group may consider to cease further support, in accordance with the strategic plan discussed above.

On the basis that the Group can improve the Group's operating results and cash flows through the implementation of the measures described above, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretation ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for the Group's financial year beginning on 1st January, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1st January, 2009

[2] Effective for annual periods beginning on or after 1st March, 2007

[3] Effective for annual periods beginning on or after 1st January, 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into three operating divisions (i) international air and sea freight forwarding; (ii) securities investment and (iii) manufacture and sales of coke. These divisions are the basis on which the Group reports its primary segment information.

Business segments
For the six months ended 30th June, 2007

	International air and sea freight forwarding *HK$'000*	**Securities investment** *HK$'000*	**Manufacture and sales of coke** *HK$'000*	**Total** *HK$'000*
Turnover				
External	**7,689**	**468,348**	**101,923**	**577,960**
Results				
Segment results	**777**	**54,786**	**(21,331)**	**34,232**
Unallocated corporate expenses				**(7,334)**
Interest income				**889**
Finance costs				**(7,444)**
Share of results of associates				**126**
Profit before taxation				**20,469**
Income tax expenses				**(2,441)**
Profit for the period				**18,028**

For the six months ended 30th June, 2006

	International air and sea freight forwarding *HK$'000*	Securities investment *HK$'000*	Manufacture and sales of coke *HK$'000*	Total *HK$'000*
Turnover				
External	5,140	151,096	18,594	174,830
Results				
Segment results	254	1,460	(10,396)	(8,682)
Unallocated corporate expenses				(15,834)
Interest income				783
Finance costs				(2,781)
Share of results of associates				145
Loss for the period				(26,369)

4. INCOME TAX EXPENSE

The taxation change for the six months ended 30th June, 2007, represented Hong Kong Profits Tax recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17.5% (six months ended 30th June, 2006: 17.5%) for the six months ended 30th June 2007.

Pursuant to the relevant laws and regulations in the PRC, the tax for Shanxi Changxing is calculated a the statutory income tax rate of 33% (Six months ended 30th June, 2006: 33%) on the assessable profit and it is exempted from PRC income tax for two years starting from the first profit-making year, followed by a 50% reduction for the next three years. No provision for PRC income tax has been made in the condensed consolidated financial statements as Shanxi Changxing has no assessable profit for both periods.

5. PROFIT (LOSS) FOR THE PERIOD

	2007	2006
	HK$'000	*HK$'000*
Profit (loss) for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**3,964**	3,522
Interest income	**(889)**	(783)
Dividend from investments in securities	**–**	(22)
Allowance on inventories	**–**	2,687

6. EARNINGS (LOSS) PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Earnings (loss) for the purpose of basic and diluted earnings per share	**18,028**	(18,998)

	2007	2006
Number of shares	**'000**	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,069,342**	5,745,251
Effect of dilutive potential ordinary shares:		
Share options	**135,863**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,205,205**	N/A

No diluted loss per share is presented for the six months ended 30th June, 2006 as the exercise of the share options would result in a decrease in the loss per share would be anti-dilutive.

7. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 days to 60 days.

	30.6.2007	31.12.2006
	HK$'000	*HK$'000*
Trade receivables, aged		
0-30 days	**17,160**	7,138
31-60 days	**659**	831
61-90 days	**384**	4,285
Over 90 days	**906**	806
	19,109	13,060
Other receivables	**22,417**	6,203
	41,526	19,263

8. TRADE AND OTHER PAYABLES

	30.6.2007	31.12.2006
	HK$'000	*HK$'000*
Trade payables		
0-30 days	**10,089**	4,731
31-60 days	**12,377**	3,324
61-90 days	**31,622**	23,959
Over 90 days	**16,518**	29,337
	70,606	61,351
Receipt in advance from customers	**128,449**	101,301
Accrued charges and other payables	**28,002**	28,024
Construction payable	**30,127**	32,367
	257,184	223,043

INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2007 (six months ended 30th June, 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated turnover of the Group amounted to HK$577,960,000 for the six months ended 30th June, 2007 (Six months ended 30 June, 2006: HK$174,830,000). Total gross profit/(loss) for international forwarding business and sale of coke was approximately HK$(3,583,000) (Six months ended 30 June, 2006: HK$(2,302,000)). Gross profit for securities trading was approximately HK$54,808,000 (Six months ended 30 June, 2006: HK$1,452,000). For the six months ended 30 June, 2007, the net profit/(loss) before tax of the Group amounted to profit HK$20,469,000 (Six months ended 30 June, 2006: HK$26,369,000 loss) with total expenses (net of other operating income) of HK$30,882,000 (Six months ended 30 June, 2006: HK$29,496,000)and net profit/(loss) after tax before Minority Interest of profit HK$18,028,000 (Six months ended 30 June, 2006: HK$26,369,000 loss). Finally, the net profit/(loss) attributable to equity holders of the Company was approximately profit HK$18,028,000 (Six months ended 30 June, 2006: HK$26,639,000 loss).

The overall performance and financial results for current period have a turn-around comparing with the previous corresponding period.

BUSINESS REVIEW

Coke Business

Since the newly acquired coke enterprise was consolidated into the accounts of China Best Group, the performance had been gradually improved. The turnover of the Group's coke business was HK$101,923,000 for the six months ended 30 June, 2007 (Six months ended 30 June, 2006: HK$18,594,000). The gross profit/(loss) were HK$(5,693,000) for the current period (Six months ended 30 June, 2006: HK$(3,680,000)). The gross loss ratio cut significantly from 19.8% to 3.6%.

The Group's coking business was greatly increased for both turnover volume and price due to the recent completion of our second furnace as well as the booming of coking market for steel manufacturing.

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$7,689,000 for the six months ended 30 June, 2007 (Six months ended 30 June, 2006: HK$5,140,000), representing an increase of 50% as compared to the previous corresponding period. The Gross profit was HK$2,035,000, (Six months ended 30 June, 2006: HK$1,378,000), an increase of HK$657,000 as comparing with the previous corresponding period.

The Group's freight forwarding business was stabilized though international freight forwarding business had still faced the keen competitions.

Securities Investment

The turnover of the Group's securities investment business was HK$468,348,000 for the six months ended 30 June, 2007 (Six months ended 30 June, 2006: HK$151,096,000), representing an increase of 2.1 times as compared to the previous corresponding period. The Gross profit was HK$54,808,000, (Six months ended 30 June, 2006: HK$5,430,000), an increase of HK$49,378,000 comparing with the previous corresponding period. Profit in securities investment amounted to HK$54,786,000 (Six months ended 30 June, 2006: HK$1,460,000) and there was a fair value adjustment of HK$1,343,000 (Six months ended 30 June, 2006: HK$3,977,000) for investments held for trading got the impact as of the non-cash items during the period under review.

The Group's securities investment business in Hong Kong was profitable due to the boom of the PRC regional economic growth.

LIQUIDITY AND CASHFLOW RESOURCES

The gearing ratio increased to 1.07 (31st December, 2006: 0.93) and the current ratio increased from 0.58 to 0.69. The calculation of gearing ratio is based on interest bearing borrowings of HK$106,990,000 (31st December, 2006: HK$67,647,000) and the shareholders' equity of HK$106,406,000 (31st December, 2006: HK$72,885,000) at the balance sheet date. All the borrowings were for the development of Shanxi, Mainland China by the Joint Venture. The calculation of current ratio is based on the current assets of HK$233,007,000 (31st December, 2006: HK$153,521,000) and the current liabilities of HK$334,833,000 (31st December, 2006: HK$264,952,000) at the balance sheet date.

The Group had a strong cash position as at 30 June 2007 with the Deposits placed with securities broker, bank balances and cash amounting to approximately HK$145,102,000 (31st December, 2006: HK$70,217,000).

CAPITAL EXPENDITURE

For the period under review, the Group incurred a total capital expenditure of HK$23,831,000 (Six months ended 30 June, 2006: HK$16,193,000), which was funded by its own financial resources and bank/other borrowings. Of which, approximately HK$23.6 million was spent on development of the production facilities in the Joint Venture of Shanxi, Mainland China and the balance of approximately HK$0.2 million was spent mainly on furniture & fixtures/office equipment in other areas.

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 joint venture in PRC. The Group will take a prudent approach for this impact but do not engage in any derivative activities and not commit to any financial instruments to hedge its balance sheet exposure in 2007.

PLEDGE OF ASSETS

At the balance sheet date, the Group's assets in aggregate of net book value approximately HK$75,099,000 (31st December 2006: HK$84,149,000) were pledged to banks to secure general banking facilities granted to the Group and the post dated bills payable.

CHANGE OF DIRECTORSHIP

On 5th June 2007, Mr. Zhang Da Qing had been appointed as Executive Director and Chief Executive Officer of the Group. At the same time, Mr. Wang Da Yong had resigned as Executive Director and Chief Executive Officer as well as Mr. Leung Chung Tak Barry was resigned from non-executive director of the Company.

EMPLOYEE AND HUMAN RESOURCES POLICY

As at 30th June, 2007, the Group had approximately 530 staff (31st December, 2006: 530). The geographical location of this staff force based including Hong Kong, Overseas Countries and Mainland China. The Group is well acquainted with the importance of the maintaining high calibre and competent employees by implementing a strict recruitment policy accordingly. The remuneration of employees was in line with the market trend, and attractive rewards such as discretionary bonuses and staff options were offered to instil a place of loyalty of the Company. Total staff cost incurred for the six months ended 30 June, 2007 was approximately HK$5,214,000 (Six months ended 30 June, 2006: HK$5,437,000).

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 - coke processing, we continue to dig out investment opportunities and select strategic partners for business development especially in this recovery of economic environment.

Furthermore, we will also develop our business to be the leader of the newly growing business coke processing. The Group had decided to re-locate more resources to occupy our unique market position in China for both in Shanxi and other northern China Provinces. Through our group's international exposure in management & financing, and followed the National policy of PRC, we are confident to develop successful business model to obtain high contribution and stable revenue from coke processing in the future.

Recent development

For the coke market, the Board considered that there was a favourable upward trend of market price of coking industries and a large jump in production after the completion of second furnace in February 2007. The Group had injected all our committed investment capital approximately HK$23.1 million ie. equivalent to RMB22.1 million into our Joint Venture Shanxi Changxing at the beginning of August 2007.

Short-term strategy

The Group has decided to acquire more coke processing factories in PRC. Due to the typical nature of the business, the financial structure will be capital intensive. At the first stage of Merger and Acquisition, the Group's major assets will be non-current nature.

Long-term strategy

The Group has planned to be the leader of the newly growing business coke processing especially in Shanxi of PRC. With comparative advantages such as contemporary international management exposure and financing experience plus deeply understanding the trend of coking business for PRC National policy, the Group is confident to develop a successful business model to obtain high growth rate and stable revenue from coke processing in the future. Backward integration to acquire coal mines will be our next stage of Merger and Acquisition.

Since PRC is a major coke producer and exporter in the international market, future development prospect of coke industry is considered to be optimistic. In the overseas market, the boosting global steel industry, Japanese economy recovery and the fact that coke production in Europe and the United States being restrained by stringent environmental legislations and obsolescence of production facilities together created buoyant demand for coke.

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, 2007 under review.

AUDIT COMMITTEE

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.

CORPORATE GOVERNANCE

During the six months ended 30th June, 2007, the Company has fully complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, with deviation from Code Provisions A.4.1 and E.1.2.

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 re-election at the annual general meeting under the Company's Bye-laws.

Last annual general meeting, Ms. Ma Jun Li, Chairman of the Board, was unable to attend (Code Provision E.1.2) due to business trips. She authorized the Deputy Chairman, Mr. Ng Tang attended to chair the meeting and answer questions on her behalf.

INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's system of internal control system 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 2007.

PUBLICATION OF INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchange and Clearing Limited (http://www.hkex.com.hk) under the section "Latest Listed Companies Information and the Company (http://www.cbgroup.com.hk).

The 2007 Interim Report of the Company containing all the information required under paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be despatched 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
Ma Jun Li
Chairman

Hong Kong, 24th September, 2007

As at the date of this announcement, the Board comprises 6 executive Directors, namely, Ms. Ma Jun Li, Mr. Ng Tang, Mr. Zhang Da Qing, Mr. Ren Zheng, Ms. Cheung Hoi Ping and Mr. Zhang Jun; and 3 independent non-executive Directors, namely, Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Lee Yuen Kwong.

* *For identification purpose only*