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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

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, 2008 together with the comparative figures for the six months ended 30th June, 2007. Such results have been reviewed by the audit committee and the external auditors of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

*FOR THE SIX MONTHS ENDED 30 JUNE 2008*

| | | Six months ended 30 June, | |
|---|---|---|---|
| | *Notes* | **2008** | 2007 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| Turnover | *4* | **351,207** | 109,612 |
| Cost of sales | | **(300,663)** | (113,195) |
| Gross profit (loss) | | **50,544** | (3,583) |
| (Loss) gain on disposal of investments held for trading | | **(49,375)** | 59,830 |
| Fair value adjustment on investments held for trading | | **(12,294)** | (5,022) |
| Other income | | **3,541** | 4,297 |
| Distribution and selling expenses | | **(7,305)** | (8,602) |
| Administrative expenses | | **(33,665)** | (19,133) |
| Finance costs | *6* | **(16,506)** | (7,444) |
| Share of results of associates | | **141** | 126 |
| (Loss) profit before taxation | | **(64,919)** | 20,469 |
| Income tax expense | *7* | **(28)** | (2,441) |
| (Loss) profit for the period | *8* | **(64,947)** | 18,028 |
| Attributable to: | | | |
| Equity holders of the Company | | **(64,947)** | 18,028 |
| Minority interests | | **–** | – |
| | | **(64,947)** | 18,028 |
| Dividends | *9* | **–** | – |
| (Loss) earnings per share (in the Hong Kong cents) | *10* | | |
| – basic | | **(1.01)** | 0.30 |
| – diluted | | **N/A** | 0.29 |

* *For identification purpose only*

## CONDENSED CONSOLIDATED BALANCE SHEET

*AT 30 JUNE 2008*

| | Notes | 30.6.2008<br>HK$'000<br>(unaudited) | 31.12.2007<br>HK$'000<br>(audited) |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Investment properties | *11* | **9,196** | 1,700 |
| Property, plant and equipment | *11* | **135,375** | 118,326 |
| Prepaid lease payments | | **4,064** | 3,876 |
| Interests in associate | | **4,504** | 4,363 |
| Available-for-sale investments | | **8,850** | 8,850 |
| Club debentures | | **1,244** | 1,168 |
| | | **163,233** | 138,283 |
| **Current Assets** | | | |
| Inventories | | **74,037** | 20,878 |
| Trade and other receivables | *12* | **69,902** | 33,172 |
| Prepaid lease payments | | **183** | 172 |
| Short-term loan receivables | | **8,000** | 18,212 |
| Investments held for trading | | **22,839** | 180,756 |
| Deposits placed with security brokers | | **1,635** | 579 |
| Pledged bank deposits | | **32,077** | 20,519 |
| Bank balances and cash | | **249,268** | 20,579 |
| | | **457,941** | 294,867 |
| **Current Liabilities** | | | |
| Trade and other payables | *13* | **313,406** | 234,782 |
| Taxation payable | | **5,599** | 5,599 |
| Margin loan payables | | **3,453** | 75,726 |
| Other borrowings | | **152,445** | 98,647 |
| | | **474,903** | 414,754 |
| **Net Current Liabilities** | | **(16,962)** | (119,887) |
| **Total Assets Less Current Liabilities** | | **146,271** | 18,396 |

| | Notes | 30.6.2008<br>HK$'000<br>(unaudited) | 31.12.2007<br>HK$'000<br>(audited) |
|---|---|---|---|
| **Non-Current Liability** | | | |
| Other borrowings | | **4,547** | 32,719 |
| | | **141,724** | (14,323) |
| **Capital and Reserves** | | | |
| Share capital | | **465,449** | 310,299 |
| Reserves | | **(279,589)** | (280,486) |
| Equity attributable to equity holders of the Company | | **185,860** | 29,813 |
| Minority interests | | **(44,136)** | (44,136) |
| | | **141,724** | (14,323) |

## 1. GENERAL

The “Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The associate and subsidiaries of the Company are principally engaged in the provision of international air and sea freight forwarding services, securities trading and manufacture and sales of coke.

The condensed consolidated financial statements are prepared in Hong Kong dollars, with is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

(i) The unaudited condensed consolidated financial statements for the six months ended 30 June 2008 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2007 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

(ii) In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the consolidated net current liabilities of approximately HK$16,962,000 at 30 June 2008.

The directors have considered various options to raise new equity funds for the Group. Subsequent to the balance sheet date, the Company has entered into an agreement to place 1,240,000,000 new shares, at the placing price of HK$0.082 per share. The placing has been completed on 11 July 2008 and the Company has raised approximately HK$101,680,000.

As the top up placing has been completed, 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.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for the investment properties 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 31 December 2007, except that the Group has adopted a number of new/revised HKFRSs issued by the HKICPA which are effective for accounting periods beginning 1 January 2008.

The application of the new/revised HKFRSs had no material impact on the results and the financial position of the Group. Therefore, no prior year adjustments are needed.

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

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Cost[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKAS 32 and HKAS 1 (Amendment) | Puttable Financial Instruments and Obligations Arising on Liquidation[1] |
| HKFRS 2 (Amendment) | Share-based Payment – Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combination[2] |
| HKFRS 8 | Operating Segments1 |
| HK(IFRIC) – Interpretation ("Int") 13 | Customer Loyalty Programmes[3] |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate[1] |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation[4] |

1 *Effective for annual periods beginning on or after 1 January 2009*
2 *Effective for annual periods beginning on or after 1 July 2009*
3 *Effective for annual periods beginning on or after 1 July 2008*
4 *Effective for annual periods beginning on or after 1 October 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for the business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 4. TURNOVER

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| International air and sea freight forwarding | **9,365** | 7,689 |
| Manufacture and sales of coke | **341,842** | 101,923 |
| | **351,207** | 109,612 |

## 5. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into three operating divisions (i) international air and sea freight forwarding; (ii) securities trading 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 30 June 2008 (unaudited)**

| | **International air and sea freight forwarding** | **Securities Trading** | **Manufacture and sales of coke** | **Total** |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Turnover | | | | |
| External | **9,365** | **–** | **341,842** | **351,207** |
| Results | | | | |
| Segment results | **668** | **(61,133)** | **26,667** | **(33,798)** |
| Unallocated corporate expenses | | | | **(15,011)** |
| Interest income | | | | **255** |
| Finance costs | | | | **(16,506)** |
| Share of results of associates | | | | **141** |
| Loss before taxation | | | | **(64,919)** |
| Income tax expense | | | | **(28)** |
| Loss for the period | | | | **(64,947)** |

For the six months ended 30 June 2007 (unaudited)

| | International air and sea freight forwarding *HK$'000* | Securities trading *HK$'000* | Manufacture and sales of coke *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Turnover | | | | |
| External | 7,689 | – | 101,923 | 109,612 |
| 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 expense | | | | (2,441) |
| Profit for the period | | | | 18,028 |

## 6. FINANCE COSTS

| | **Six months ended 30 June** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Interest on borrowings wholly repayable within 5 years: | | |
| Other borrowings | **15,999** | 7,316 |
| Margin loan payables | **507** | 128 |
| | **16,506** | 7,444 |

## 7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | **–** | 2,441 |
| PRC Enterprise Income Tax | **28** | – |
| | **28** | 2,441 |

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has incurred a taxation loss for the period. Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the six months ended 30 June 2007.

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

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the tax for Shanxi Changxing Yuci Coking Co., Limited is calculated at the statutory income tax rate of 25% (Six months ended 30 June 2007: 33%) on the assessable profit and it is exempted from PRC Enterprise 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 Enterprise Income Tax has been made in the condensed consolidated financial statements as the current interim period is the first profit-making period. No provision for PRC Enterprise Income Tax has been provide in the condensed consolidated financial statements for the six months ended 30 June 2007 as the Group has no assessable profit for the period.

## 8. (LOSS) PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| (Loss) profit for the period has been arrived at after charging (crediting) the following items: | | |
| Depreciation of property, plant and equipment | **4,119** | 3,964 |
| Amortisation of prepaid lease payments | **34** | – |
| Interest income | **(255)** | (889) |
| Dividend from investments held for trading | **(574)** | – |

## 9. DIVIDENDS

No dividend had been paid or declared by the Company during both periods.

## 10. (LOSS) EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Earnings | | |
| (Loss) earnings for the purpose of basic and diluted earnings per share | **(64,947)** | 18,028 |

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **6,428,853** | 6,069,342 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **–** | 135,863 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **6,428,853** | 6,205,205 |

No diluted loss per share is presented for the six months ended 30 June 2008 as the share options were anti-dilutive.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group incurred expenditure of approximately HK$8,820,000 (Six months ended 30 June 2007: HK$23,823,000) on property, plant and equipment and HK$7,496,000 (Six months ended 30 June 2007: Nil) on investment properties during the period ended 30 June 2008.

In the opinion of the directors, there are no material difference between the carrying amounts of the investment properties and their fair values at 30 June 2008.

## 12. TRADE AND OTHER RECEIVABLES

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

| | **30.6.2008** | 31.12.2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade and bills receivables, aged | | |
| 0 – 30 days | **14,550** | 16,896 |
| 31 – 60 days | **2,047** | 1,275 |
| 61 – 90 days | **4,092** | 2,014 |
| Over 90 days | **455** | – |
| | **21,144** | 20,185 |
| Advance to suppliers | **2,908** | 8,174 |
| Deposits and prepayments | **44,035** | 3,108 |
| Pledged deposits | **1,815** | 1,705 |
| | **69,902** | 33,172 |

## 13. TRADE AND OTHER PAYABLES

| | **30.6.2008** | 31.12.2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade and bills payables | | |
| 0 – 30 days | **37,222** | 13,486 |
| 31 – 60 days | **1,190** | 4,243 |
| 61 – 90 days | **12,162** | 21,664 |
| Over 90 days | **65,478** | 28,873 |
| | **116,052** | 68,266 |
| Receipt in advance from customers | **133,345** | 114,595 |
| Accrued charges and other payables | **50,607** | 32,410 |
| Construction payables | **8,619** | 15,018 |
| Government grants | **4,783** | 4,493 |
| | **313,406** | 234,782 |

## INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2008 (six months ended 30th June, 2007: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated turnover of the Group amounted to HK$351,207,000 for the six months ended 30th June, 2008 (six months ended 30th June, 2007: HK$577,960,000). Total gross profit was approximately HK$50,544,000 (six months ended 30th June, 2007: HK$3,583,000 loss). For the for the six months ended 30th June, 2008, the Group recorded total expenses (net of other operating income) of HK$115,491,000 (six months ended 30th June, 2007: HK$21,611,000). Finally, the net loss before and after Minority Interest was approximately HK$64,947,000 (six months ended 30th June, 2007: Profit HK$18,028,000).

## BUSINESS REVIEW

### Coke Business

After the newly acquired coke enterprise consolidated into the accounts of China Best Group from the second half year of 2005, the turnover of the Group's coke business was approximately HK$341,842,000 for the six months ended 30th June, 2008 (six months ended 30th June, 2007: HK$101,923,000). The gross profit was approximately HK$48,537,000 gross profit (six months ended 30th June, 2007: HK$5,693,000 gross loss).

### Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$9,365,000 (six months ended 30th June, 2007: HK$7,689,000), representing a increase of 22% as compared to the previous corresponding period. Total gross profit was HK$2,007,000 profit, (six months ended 30th June, 2007: HK$2,035,000), an minor decrease of HK$30,000 comparing with the previous corresponding period.

The group's freight forwarding business was stabilized though international freight forwarding business had still faced the keen competition and surged oil price.

**Securities Investment**

The turnover of the Group's securities investment business was HK$127,912,000 (six months ended 30th June, 2007: HK$468,348,000), representing an decrease of 73% as compared to the previous corresponding period. Total gross loss was HK$49,375,000 loss, (six months ended 30th June, 2007: HK$54,808,000 profit), a significant drop of HK$104,183,000 comparing with the previous corresponding period. Loss in securities investment amounted to HK$61,133,000 (Six months ended 30th June 2007: HK$54,786,000 profit). There was a fair value adjustment of HK$12,294,000 for investments held for trading during the period under review (Six months ended 30th June 2007: HK$5,022,000).

## LIQUIDITY AND CASHFLOW RESOURCES

The Group had strong cash and bank position as at 30th June 2008 of HK$249,268,000 (31st December 2007: HK$20,579,000).

The gearing ratio improved significantly to 0.78 (31st December, 2007: 4.41) and the current ratio increased from 0.71 to 0.96. The calculation of gearing ratio is based on interest bearing borrowings of HK$185,560,000 (31st December, 2007: HK$131,360,000) and the shareholders' equity of HK$145,104,000 (31st December, 2007: HK$29,813,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK$434,067,000 (31st December, 2007: HK$294,867,000) and the current liabilities of HK$451,029,000 (31st December, 2007: HK$414,754,000) at the balance sheet date.

On 22nd April, 2008, the Group entered into an open offer underwriting agreement with KCG Securities Asia limited to raise not less than HK$223,000.000. Open offer of 3,102,993,076 offer Shares to qualifying Shareholders on the basis of one offer share for every two shares held on the record date at HK$0.075 per offer share was successfully.

On 30th June, 2008, the Group also entered into a top-up placing agreement with the major shareholder, Best Chance Holdings Limited and placing agent, KCG Securities Asia limited for issuing 1,240,000,000 shares at a subscription price HK$0.082 to successfully raise not less than HK$98,000,000.

We believe both the open offer and top-up placing can strengthen our financial position enable the Company to have sufficient and readily available financial resources for general working capital purpose and but not excluding for feasible acquisition the proposed investment in the coal or coke industry in the PRC may encounter or contemplate in the future.

Finally, we successfully met the short term capital requirement by open offer, top-up placing and bank borrowings. Famous strategic partners and investors such as Assets Manager Funds and Harbert Group were attracted to become our substantial shareholders.

## PLEDGE OF ASSETS

At the balance sheet date, the Group's assets of HK$133,719,000 (31st December 2007: HK$275,363,000) were pledged to banks to secure general banking facilities granted to the Group and the post dated bills payable.

## CAPITAL EXPENDITURE

For the period under review, the Group incurred a total capital expenditure of HK$8,820,000 (Six months ended 30th June 2007: HK$23,831,000), which was funded by its own financial resources and bank borrowings. Of which, approximately HK$1.3 million was spent on development of the production facilities in Shanxi, Mainland China and approximately HK7.5 million for acquisition of investment property in Beijing.

## 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 2008.

## CHANGE OF DIRECTORSHIP

On 21st August 2008, Mr. Chan Ngai Sang, Kenny was appointed as an independent non-executive director of the Company subsequent to the resignation of our independent non-executive director, Mr. Lee Yuen Kwong at the same time.

## EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 530 staff at the period end (31st December 2007: 530). The Group is well acquainted with the importance of maintaining high calibre and competent employees by implementing a strict recruitment policy accordingly. The remuneration of employees included discretionary bonuses and shares options to staff in order to instil a place of loyalty to the Company. The total staff cost incurred for the six months ended 30 June, 2008 was approximately HK$5,700,000 (six months ended 30th June 2008: HK$5,214,000).

## BUSINESS PROSPECT

The Group is principally engaged in coke processing, international air and sea freight forwarding as well as trading of securities. In order to strengthen the core business – coal and coke processing, we continue to dig out investment opportunities and select strategic partners for business development especially in this growth 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 strengthen the financial position and re-locate more resources to occupy our unique market position in China especially in Shanxi and Inner Mongolia. 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 coal mining and coke processing in the future.

### Recent development

On 3rd March 2008, the Group entered into a non-legally binding memorandum of understanding "MOU" with Asset Rich International Limited for the possible acquisition of a controlling interest in a coal mining and a coke processing venture, namely, Inner Mongolia Qipanjing Mining Co., Ltd. and Inner Mongolia Qipanjing Coking Co., Ltd. respectively. The Board confirms that such project is still in the negotiation stage and no formal agreement has been entered into by the Company in respect thereof.

Although the global market of coal and coke industry has been seriously affected by the recent economic recession, the Board considered that there was still a favourable indication for the recent upward trend of coal and coking price in the long-run.

### Short-term strategy

The Group has decided to acquire more coal mining plants and 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 coal & 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.

Although the stringent environmental legislations and macro national policy of PRC may have impact for the industry, PRC still maintains as an economic region with health stable growth. The future development prospect of coal and coke industry in PRC is considered to be optimistic.

## 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, 2008 under review.

## AUDIT COMMITTEE

The Interim Report, which is prepared in accordance with HKAS34 "Interim Financial Reporting", has also been reviewed by the Company's independent auditors Messrs. SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standards on Review Engagements 2400 "Engagements to Review Financial Statements".

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

## CORPORATE GOVERNANCE

During the six months ended 30th June, 2008, the Company has fully complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for deviation from Code Provision A.4.1.

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

## INTERNAL CONTROL

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, immediately following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th June 2008.

## PUBLICATION OF INTERIM REPORT

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

The 2008 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, 22 September 2008

*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. Chan Ngai Sang Kenny.*