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 YEAR ENDED 31ST DECEMBER, 2008

The Board of Directors of China Best Group Holding Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Revenue		**448,920**	288,863
Cost of sales		**(470,444)**	(280,246)
Gross (loss) profit		**(21,524)**	8,617
Other income	*4*	**5,068**	6,009
Administrative expenses		**(72,584)**	(41,112)
Selling and distribution expenses		**(11,338)**	(20,156)
Fair value change on investment properties		**(368)**	200
Fair value (loss) gain on investments held for trading		**(72,124)**	71,522
Impairment loss on property, plant and equipment		**(28,162)**	(58,000)
Gain on deconsolidation of subsidiaries	*7*	**244,809**	–
Finance costs	*5*	**(30,963)**	(20,143)
Share based payment expense		**–**	(24,087)
Share of results of an associate		**278**	641
Profit (loss) before taxation		**13,092**	(76,509)
Taxation	*6*	**(125)**	(4,888)
Profit (loss) for the year		**12,967**	(81,397)
Attributable to:			
Equity holders of the Company		**12,967**	(81,547)
Minority interests		**–**	150
		12,967	(81,397)
Earning (loss) per share	*8*		
– Basic		**0.2 HK cents**	(1.3) HK cents
– Diluted		**N/A**	N/A

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET
At 31st December, 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Property, plant and equipment		**4,278**	118,326
Prepaid lease payments		**–**	3,876
Investment properties		**8,820**	1,700
Interests in an associate		**–**	4,363
Available-for-sale investments		**7,500**	8,850
Deposit paid for acquisition of subsidiaries	*9*	**287,709**	–
Club debentures		**1,242**	1,168
		309,549	138,283
Current assets			
Inventories		**–**	20,878
Trade and other receivables	*10*	**4,656**	33,172
Prepaid lease payments		**–**	172
Short-term loan receivables		**22,839**	18,212
Investments held for trading		**21,659**	180,756
Deposits placed with security brokers		**17,323**	579
Pledged bank deposits		**–**	20,519
Bank balances and cash		**22,017**	20,579
		88,494	294,867
Assets classified as held for sales		**4,641**	–
		93,135	294,867
Current liabilities			
Trade and other payables	*11*	**17,598**	234,782
Deposit received for disposal of subsidiaries		**15,000**	–
Taxation payable		**5,668**	5,599
Margin loan payables		**–**	75,726
Other borrowings		**–**	98,647
		38,266	414,754
Net current assets (liabilities)		**54,869**	(119,887)
Total assets less current liabilities		**364,418**	18,396
Non-current liability			
Other borrowings		**–**	32,719
		364,418	(14,323)
Capital and reserves			
Share capital		**527,449**	310,299
Reserves		**(163,031)**	(280,486)
Equity attributable to equity holders of the Company		**364,418**	29,813
Minority interests		**–**	(44,136)
		364,418	(14,323)

Notes:

1. **BASIS OF PRESENTATION**

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied the following amendments and interpretations ("INTs") (herein collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the Group's financial year beginning 1st January, 2008.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	Hong Kong Accounting Standard ("HKAS") 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term if specified criteria are met. A debt instrument classified as held for trading not classified by designation or as available-for-sale not classified by designation may be reclassified as a loan or receivable if the asset meets the definition of a loan and receivable and the entity has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets that are not eligible for classification as loans and receivables, may be transferred from held for trading to available-for-sale or to held to maturity (in the case of debt instrument), only in rare circumstances.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above.

The amendments are effective from 1st July, 2008. As the Group does not intend to reclassify any of its financial instruments, the amendments have had no impact on these consolidated financial statements.

The adoption of the other New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective for the accounting period beginning on 1st January, 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1(Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged item[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[6]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distribution of non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[7]

[1] *Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.*

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

[3] *Effective for annual periods beginning on or after 1st July, 2009.*

[4] *Effective for annual periods beginning on or after 1st July, 2008.*

[5] *Effective for annual periods beginning on or after 1st October, 2008.*

[6] *Effective for annual periods ending on or after 30th June, 2009.*

[7] *Effective for transfers of assets from customers received on or after 1st July, 2009.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company has commenced considering the potential impact of other new or revised standards, amendments or interpretations, but is not yet in a position to determine whether these new or revised standards, amendments or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented.

3. **BUSINESS AND GEOGRAPHICAL SEGMENTS**

(a) Business segments

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

	International air and sea freight forwarding	Securities trading	Manufacture and sales of coke	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2008					
Revenue	**14,938**	**–**	**433,352**	**630**	**448,920**
Segment result	**72**	**(72,124)**	**(120,520)**	**(7,540)**	**(200,112)**
Unallocated corporate expenses					**(6,501)**
Other income					**5,018**
Gain on deconsolidation of subsidiaries	**–**	**–**	**244,809**	**–**	**244,809**
Finance costs					**(30,400)**
Share of results of an associate	**278**	**–**	**–**	**–**	**278**
Profit before taxation					**13,092**
Taxation					**(125)**
Profit for the year					**12,967**
At 31st December, 2008					
ASSETS					
Segment assets	**5,422**	**48,936**	**–**	**14,232**	**68,590**
Interests in an associate	**4,641**	**–**	**–**	**–**	**4,641**
Deposit paid for acquisition of subsidiaries	**–**	**–**	**287,709**	**–**	**287,709**
Unallocated corporate assets					**41,744**
Total assets					**402,684**
LIABILITIES					
Segment liabilities	**1,989**	**5,601**	**–**	**8**	**7,598**
Deposit received from disposal of subsidiaries	**–**	**–**	**–**	**–**	**15,000**
Unallocated corporate liabilities					**15,668**
Total liabilities					**38,266**

	International air and sea freight forwarding	Securities trading	Manufacture and sales of coke	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December, 2008					
OTHER INFORMATION					
Additions to property, plant and equipment	**1**	**–**	**53,573**	**250**	**53,824**
Depreciation on property, plant and equipment	**25**	**–**	**7,023**	**621**	**7,669**
Amortisation of prepaid lease payments	**–**	**–**	**179**	**–**	**179**
Gain on disposal of property, plant and equipment	**–**	**–**	**(43)**	**–**	**(43)**
Recovery of bad debts	**–**	**–**	**(1,101)**	**–**	**(1,101)**
Impairment loss on trade receivables	**–**	**–**	**9,292**	**–**	**9,292**
Allowance on inventories	**–**	**–**	**46,838**	**–**	**46,838**
Impairment loss on property, plant and equipment	**–**	**–**	**28,162**	**–**	**28,162**
Fair value loss on investments held for trading	**–**	**72,124**	**–**	**–**	**72,124**

	International air and sea freight forwarding *HK$'000*	Securities trading *HK$'000*	Manufacture and sales of coke *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
For the year ended 31st December, 2007					
Revenue	16,765	–	272,098	–	288,863
Segment results	1,740	71,522	(100,249)	(611)	(27,598)
Unallocated corporate expenses					(12,641)
Other income					5,596
Finance costs					(18,420)
Share-based payments expense			(10,297)	(13,790)	(24,087)
Share of results of an associate	641	–	–	–	641
Loss before taxation					(76,509)
Taxation					(4,888)
Loss for the year					(81,397)
At 31st December, 2007					
ASSETS					
Segment assets	6,870	196,051	159,778	20,518	383,217
Interests in an associate	4,363	–	–	–	4,363
Unallocated corporate assets					45,570
Total assets					433,150
LIABILITIES					
Segment liabilities	5,842	81,327	223,279	60	310,508
Unallocated corporate liabilities					136,965
Total liabilities					447,473
For the year ended 31st December, 2007					
OTHER INFORMATION					
Additions to property, plant and equipment	31	–	22,042	2,756	24,829
Depreciation on property, plant and equipment	26	–	8,882	285	9,193
Amortisation of prepaid lease payments	–	–	171	–	171
Gain on disposal of property, plant and equipment	–	–	(142)	–	(142)
Recovery of bad debts	–	–	(474)	–	(474)
Impairment loss on trade receivables	–	–	1,962	–	1,962
Allowance on inventories	–	–	995	–	995
Impairment loss on property, plant and equipment	–	–	58,000	–	58,000
Fair value gain on investments held for trading	–	(71,522)	–	–	(71,522)

(b) Geographical segments

The Group's international air and sea freight forwarding are carried out in North and South America, securities trading division is located in Hong Kong while the manufacture and sales of coke is carried out in the People's Republic of China ("PRC").

The following provides an analysis of the Group's revenue by geographic markets based on location of customers, irrespective of the origin of the goods and services:

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
North and South America	**6,208**	7,796
PRC	**433,982**	272,098
Others	**8,730**	8,969
	448,920	288,863

The following is an analysis of the carrying amount of assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North and South America	**1,933**	3,323	**–**	–
Hong Kong	**45,330**	119,041	**7**	6
PRC	**14,232**	241,322	**53,816**	24,792
Others	**14,087**	3,547	**1**	31
	75,582	367,233	**53,824**	24,829

4. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income	**498**	1,845
Dividend income from listed securities classified as held for trading	**1,724**	195
Gain on disposal of property, plant and equipment	**43**	142
Recovery of bad debts	**1,101**	474
Government grants	**591**	–
Sundry income	**1,111**	3,353
	5,068	6,009

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years		
Other borrowings	**30,400**	18,420
Margin loan payables	**563**	1,723
	30,963	20,143

6. TAXATION

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the income tax for Shanxi Changxing is calculated at the statutory income tax rate of 25% (2007: 33%) on the assessable profit and it is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years ("Tax Holiday"). No provision for PRC income tax has been made in the consolidated financial statements as Shanxi Changxing has no assessable profit since its date of establishment.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1st January, 2008 onwards.

In additions, according to the New Law, starting from 1st January, 2008, 10% withholding income tax will be imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Company has applied the preferential rate of 5% as its associate in the PRC are directly held by the Company. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as it is probable that the temporary differences will not reverse in the foreseeable future.

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

7. DECONSOLIDATION OF SUBSIDIARIES

On 27th November, 2008, the Company entered into an agreement to dispose of the entire equity interests in Funeway Investments Limited ("Funeway") at a consideration of HK$15 million to independent third parties. Pursuant to the agreement, all directors of Funeway who were appointed by the Company are required to resign as directors of Funeway. On 31st December, 2008, all such directors resigned as directors of Funeway accordingly. The directors of the Company consider that the Group's control over Funeway and its subsidiary, Shanxi Changxing ("Funeway Group") was lost on 31st December, 2008 and the Funeway Group ceased to be the Group's subsidiaries. The results of Funeway Group were included in the consolidated income statement up to 31st December, 2008 and the consolidated financial statements of Funeway Group were deconsolidated from the Group from 31st December, 2008. The disposal transaction is subjected to the approval of the shareholders in the shareholders' meeting. The transaction has not been completed as at 31st December, 2008 and up to the date of approval of these consolidated financial statements.

The net liabilities of Funeway Group at the date of deconsolidation were as follows:

	31/12/2008
	HK$'000
Property, plant and equipment	140,111
Prepaid lease payments	4,226
Inventories	71,356
Trade and other receivables	1,719
Bank balances and cash	21,895
Trade and other payables	(260,702)
Short term other borrowings	(238,211)
Long term other borrowings	(39,347)
Minority interests	44,136
	(254,817)
Translation reserve realised on deconsolidation of subsidiaries	10,008
Gain on deconsolidation	244,809

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the year attributable to equity holders of the Company of HK$12,967,000 (2007: loss of HK$81,547,000) and on weighted average number of 8,471,875,567 (2007: 6,137,846,427) ordinary shares in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the year ended 31st December, 2008.

No diluted loss per share was presented for the year ended 31st December, 2007 as the effect of the exercise of the Company's outstanding share options was anti-dilutive.

9. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

The Group proposed to acquire 60% equity interests in ChongHou Energy Resources Limited ("ChongHou"), a company incorporated in the PRC and located in Qipanjing of Inner Mongolia, which is principally engaged in the coal mining business. Up to 31st December, 2008, the Company has paid HK$287,709,000 in aggregate, as deposits for this proposed acquisition. Subsequent to the balance sheet date, on 22nd January, 2009, the Company has paid a further aggregate amount of HK$18,000,000 as deposit for this proposed acquisition. The transactions have not been completed as of the date of the issuance of these consolidated financial statements. Details of which are set out in the Company's announcement dated 3rd December, 2008.

10. TRADE AND OTHER RECEIVABLES

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

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**769**	16,896
31-60 days	**315**	1,275
61-90 days	**139**	2,014
Trade receivables	**1,223**	20,185
Advance to suppliers	**–**	8,174
Deposits and prepayments	**3,433**	3,108
Other deposits	**–**	1,705
	4,656	33,172

Included in trade receivables as at 31st December, 2007 were bills receivables with aggregate carrying amount of approximately HK$534,000 (2008: Nil).

11. TRADE AND OTHER PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**471**	13,486
31-60 days	**9**	4,243
61-90 days	**5**	21,664
Over 90 days	**1,854**	28,873
Trade and bills payables	**2,339**	68,266
Receipt in advance from customers	**–**	114,595
Accrued charges and other payables	**15,259**	32,410
Construction payables	**–**	15,018
Government grants	**–**	4,493
	17,598	234,782

Included in trade and bills payables as at 31st December, 2007 were bills payables with aggregate carrying amount of HK$41,856,000 (2008: Nil).

Included in construction payable as at 31st December, 2007 were bills payables with aggregate carrying amount of HK$2,720,000 (2008: Nil).

The fair values of the Group's trade and other payables at 31st December, 2008 approximate to the corresponding carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated turnover of the Group amounted to HK$448,920,000 for the year ended 31st December, 2008 (year ended 31st December, 2007: HK$288,863,000). Total gross profit/(loss) was approximately (HK$21,524,000) gross loss (year ended 31st December, 2007: HK$8,617,000 gross profit). For the year ended 31st December, 2008, the Group recorded total expenses after exclusion of gain on de-consolidation of subsidiaries HK$244,809,000 (net of other operating income) amounts to HK$210,318,000 (year ended 31st December, 2007: HK$90,014,000)and net profit/(loss) before Minority Interest HK$12,967,000 (year ended 31st December, 2007: (HK$81,397,000) loss). Finally, the net profit/(loss) after Minority Interest was approximately HK$12,967,000 (year ended 31st December, 2007: HK$81,547,000).

BUSINESS REVIEW

Coke Business

The turnover of the Group's coke business was approximately HK$433,352,000 for the year ended 31st December, 2008 (year ended 31st December, 2007: HK$272,098,000). The gross profit/loss was approximately HK$25,380,000 gross loss (year ended 31st December, 2007: HK$4,453,000 gross profit).

On 27th November, 2008, the Company entered into an S&P Agreement to dispose the Funeway Group and obtained a gain on de-consolidation of subsidiaries HK$244,809,000.

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$14,938,000 (year ended 31st December, 2007: HK$16,765,000), representing a decrease of 10.90% as compared to the previous year. Total gross profit was HK$3,257,000, (year ended 31st December, 2007: HK$4,160,000), a decrease of HK$903,000 comparing with the previous year.

The group's freight forwarding business was stabilized though international freight forwarding business had still faced the keen competition and surged oil price in 2008.

Securities Investment

The total transaction volume of the Group's securities investment business was HK$181,775,000 (year ended 31st December, 2007: HK$959,565,000), representing a decrease of 81.06% as compared to the previous year. The realised and unrealised loss on a fair value adjustment of was HK$72,124,000 for investments held for trading during the year under review (year ended 31st December, 2007: HK$71,522,000).

LIQUIDITY AND CASHFLOW RESOURCES

The gearing ratio is greatly improved to zero (31st December, 2007: 4.41) and the current ratio significantly increased from 0.71 to 2.43. The calculation of gearing ratio is based on interest bearing borrowings of Nil (31st December, 2007: HK$131,360,000) and the shareholders' equity of HK$364,418,000 (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$93,135,000 (31st December, 2007: HK$294,867,000) and the current liabilities of HK$38,266,000 (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 approximately 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 successful and over 77% of qualifying Shareholders accepted the open offer indicate their confidence over the Group.

On 30th June, 2008, the Group also entered into a top-up placing agreement with the major substantial 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 approximately HK$98,000,000 of those interested investors.

We believe the funds raised from 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 both general working capital purpose and feasible acquisition of 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 and top-up placing. Famous strategic partners and investors such as Japan Assets Manager Funds and Harbinger Group of USA were attracted to become our substantial shareholders.

PLEDGE OF ASSETS

At the balance sheet date, the Group had no pledged assets (31st December, 2007: HK$275,363,000) to banks for securing general banking facilities for the Group and the post-dated bills payable.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

For the year under review, the Group incurred a total capital expenditure of HK$61,250,000 (year ended 31st December, 2007: HK$24,829,000), which was funded by its own financial resources and bank borrowings. Of which, approximately HK$53,573,000 was spent on development of the production facilities in Shanxi, Mainland China, approximately HK7,426,000 for acquisition of investment property in Beijing and the balance of HK$251,000 million mainly on furniture & fixtures/office equipment in other areas.

At the balance sheet date, the Group's capital commitment for contracts made for the very substantial acquisition of investment of subsidiaries but not provided in the financial statements was HK$432,291,000.

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 year, 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 independent non-executive director of the Company for the resignation of our independent non-executive director, Mr. Lee Yuen Kwong.

On 20th January, 2009, Mr. Zhang Jun was resigned as executive director of the Company.

EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately staff at 31st December, 2008 was 32 (31st December, 2007: 530). 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 included discretionary bonuses and shares options to staff in order to instil a place of loyalty of the Company. The total staff cost incurred for the year ended 31st December, 2008 was approximately HK$10,027,000 (year ended 31st December, 2007: HK$17,110,000).

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 – coal and 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 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 an equity 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 is pleased to announce that on 27th November, 2008, Clearmind, a wholly-owned subsidiary of the Company, entered into the Possible Acquisition Agreement with Asset Rich at the consideration of HK$720 Million of which HK$305 Million refundable deposit paid to acquire 60% interest of ChongHou Energy.

ChongHou Energy Investment Limited owned 60% interest of Inner Mongolia Qipanjing Mining Co., Ltd. ("Qipanjing Mining") and of which indirectly owned Inner Mongolia Qipanjing Coking Co., Ltd. ("Qipanjing Coking"). Qipanjing Mining is a sino-foreign joint venture company which is principally engaged in the coal mining, and production and sale of coals. It owns three coalmines with total annual production capacity of approximately 1.80 million tonnes. The total coalfield area covered approximately 6.769 km^2 and the types of coal within the coalfield is 1/3 coking coal.

Qipanjing Coking is a wholly-owned subsidiary of Qipanjing Mining and the principal businesses of which are coal clean and coke processing. Qipanjing Coking owns a tamping coke furnace with annual production volume of approximately 0.25 million tonnes and a dense media coal washing plant with annual production volume of 1.20 million tonnes.

Although the market of coal and coke industry has been seriously affected by the recent global economic recession, the Board considered that there was a adverse indication for the recent sharp drop trend of coal and coking price.

Short-term strategy

At the first stage of re-structure, the Board reduced the scale in the business activities of freight forwarding by transfer out the equity interest in the associated company, Shanghai International Airlines Services Co. Limited at a consideration of RMB4 Million in November 2008. It will help to concentrate the Group's resources on the development of its core principal activities coal mining and coke processing in PRC.

At the second stage of re-structure, the Board is pleased to announce that on 27th November, 2008, the Company entered into the Possible Disposal Agreement with Profit Firm whereby the Company was conditionally agreed to sell the entire interest in Funeway at a consideration of HK$15 Million of which full amount be received. The Group has decided to restructure its coke processing factories in PRC and acquire coal mining plants.

Long-term strategy

The Group has planned to be the leader of the newly growing business coke processing especially in Inner Mongolia and 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 recent Global Financial Crunch may have impact for the industry, PRC still maintains as an economic region with stable continuous health growth. The future development prospect of coal and coke industry in PRC is considered to be optimistic because the increase of internal demand of PRC economy will stimulate the demand of mobile vehicles in the villages. In view of snow disasters in Southern China and the earthquake in Siuchuen, basic infrastructure and re-development are required and this will boom the steel market. Furthermore some favourable macro national policies of PRC help to recover from the Financial Tsunami. It is expected China will be the one who will be the first recovered economy after the Global Financial Crisis. It is also a great opportunity for us to strength our core business activities after the start of purchasing coal mines and development of our coal reserves which considered to be invaluable scarcity of energy resource in the future.

CLOSURE OF REGISTER

The Register of members will be closed from Wednesday, 27th May, 2009 to Tuesday, 2nd June, 2009 (both days inclusive) during which period no transfer of share can be registered.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2008.

AUDIT COMMITTEE

The Board has established the Audit Committee in accordance with the Listing Rules. The Committee comprises Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Chan Ngai Sang, Kenny, the three independent non-executive directors.

Summary of duties and works of the Audit Committee is set out in the "Corporate Governance Report" in annual report.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2008 in conjunction with the Company's external auditor SHINEWING (HK) CPA Limited.

CODE OF BEST PRACTICE AND CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in annual report.

During the year ended 31st December, 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, with 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 system to safeguard shareholders' 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 year ended 31st December, 2008.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31st December, 2008 is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.cbgroup.com.hk) respectively. The 2008 annual report and notice of annual general meeting of the Company will be despatched to the shareholders and made available on the above websites.

By order of the Board
China Best Group Holding Limited
Ma Jun Li
Chairman

Hong Kong, 9th April, 2009

As at the date of this announcement, the Board comprises 5 executive Directors, namely, Ms. Ma Jun Li, Mr. Ng Tang, Mr. Zhang Da Qing, Mr. Ren Zheng and Ms. Cheung Hoi Ping; and 3 independent non-executive Directors, namely, Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Chan Ngai Sang, Kenny.