

CHAIRMAN'S MESSAGE

The Group achieved a couple of milestones in the first half of 2005. Not only had the Group made significant breakthrough in diversifying into the coke processing business, but also made the strategic decision to change its name to "**China Best Group Holding Limited**" to better reflect its business focus on the coke industry in China.

Most encouraging was the gaining of shareholders' support for the Group's new business focus and change of name as reflected by their approvals of the relevant resolutions at special general meetings held separately.

In connection with this new business direction, the Group is very pleased to have brought in a Japanese assets management company, Asset Managers (China) Fund Co., Ltd. ("Asset Managers Fund"), regarding the issue of up to US\$10 million unlisted redeemable convertible bonds ("Bonds") in December 2004. On 1 June 2005, Asset Managers Fund converted all the US\$10 million Bonds at a conversion price of HK\$0.089 into 876,404,493 shares to become the Group's substantial shareholder. The proceeds derived from the Bonds will be used to finance the Group's proposed investments in the coke industry in China.

As China is the world's largest coke producer, exporter and consumer, rapid growth in the steel industry will continue to drive demand for metallurgical coke in China. The Group, therefore, entered into a Subscription Agreement to acquire 51% controlling interest in Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing") in February 2005, which was successfully approved by the shareholders on 23 June 2005. The Group believes that the acquisition will enable it to capture the opportunities of the fast growing coke industry and to establish a strong foundation for its coke business, given Shanxi Changxing's product mix, production capacity and established customer network, as well as Shanxi's rich natural resources.

In March 2005, the Group's current projects, including its investment in Shanxi Changxing, were named as priority projects by the Shanxi Provincial Government. The accreditation evidenced official support and recognition of the numerous motivations made by the Group to invest in the coke business in Shanxi province.

Although the coke processing business is still in the initial development stage, the Group will continue to expand this segment, which is expected to be a major profit centre in the long run. The Group has now sought for several coke business factories in China for investment, and will continue to search for other investment targets in this industry.

Apart from focusing on the development of the coke business, the Group also strove to consolidate its existing operations during the period under review. The freight forwarding business of the Group continued to report a gross profit during the period under review despite a mild adjustment in segment turnover. With regard to bio-medical business, Nanjing E-life was engaged in the development of different bio-medical projects for commercialisation in the future, and therefore had not yet provided profit contribution to the Group for the period under review. The Group made investments in certain securities with high growth potential in June 2005. The management is confident that its securities investment will generate satisfactory returns for the full year.

To maximise shareholders' value, the Group is committed to expanding its business by capturing emerging market opportunities in a prudent manner. We would like to take this opportunity to express our gratitude to our business partners, customers, agencies, transportation partners, employees and shareholders for their ongoing support.

Wang Jianhua

Chairman

Hong Kong, 5th September, 2005