

CHAIRMAN'S MESSAGE

In the first half of 2006, the Group continued to make further achievements in consolidating its strategy of making coke business as core development. The management efficiency and effectiveness of the Group's investment in coke project in Shanxi has been progressively enhanced. Leveraging on its good relationship with Shanxi Provincial Government and various business sectors, the Group also strove to explore new cooperation opportunities in order to broaden its coke business portfolio.

The Group acquired 51% interests in Shanxi Changxing Yuci Coking Co., Limited in 2005, and accordingly became the controlling shareholder of Shanxi Changxing. The said investment is subject to the granting of an approval for State-owned land use right certificate in respect of that production plant and the completion of all legal procedures. It is expected the transaction would be completed around the end of January 2007.

Save for the above condition, Shanxi Changxing was accounted in the Group's income statement in July 2005 as the Group has initially completed the transaction in connection with the acquisition of Shanxi Changxing.

Currently, the annual production capacity of Shanxi Changxing is 600,000 tons. Since the second stage of the plant's capacity expansion plan will be completed for commercial production in September 2006, Shanxi Changxing has not yet been fully benefited from its economies of scale during the period under review. Coupled with the increase in depreciation costs, Shanxi Changxing has reported a loss for the first half year, thereby affecting the first half-yearly results of the Group.

The business operation of Shanxi Changxing is being under gradual improvement. During the past two months, progress in management and operating efficiency has been achieved. It is expected that remarkable results performance will be seen in the second half year.

By the end of July 2006, the Group further expand its investments in coke business in Shanxi. The Group has entered into a letter of intent for cooperation with two independent parties, namely Shanxi Taixing Group Company Limited ("Taixing Group") and Char Coke (Asia) Investment Limited ("Char Coke"). Pursuant to which, the Group has to acquire 51% equity interests in Hejin City Taixing Coke Chemical Company Limited ("Taixing Coke") held by Taixing Group and will become its controlling shareholder. Under the letter of intent for cooperation, Taixing Group and Char Coke will jointly warrant to China Best that the profit after taxation of Taixing Coke to be not less than RMB90,000,000 in each of the first and second years after the completion of the acquisition.

Taixing Coke is a sino-foreign equity joint venture which is principally engaged in the business of the manufacturing and sale of metallurgical coke, coal tar and crude benzol, with its annual production capacity of metallurgical coke, coal tar and crude benzol reach 600,000 tons, 16,500 tons and 4,500 tons respectively. The major customers of Taixing Coke include prominent steel plants such as Nanjing Iron and Steel in Jiangsu, Guangdong Shao Steel and Lian Yuan Steel in Hunan. Taixing Coke has a self-operated coal processing plant, with an annual handling capacity of 1,200,000 tons coking coal.

Since Taixing Group has commenced its coke business for years and has a proven track record, plus the profit guarantee provided by the vendor, the Group may share the profit contributed by Taixing Coke immediately after the completion of its acquisition. Taixing Coke has been engaged in diversified coal production, it is believed the entering into the letter of intent for cooperation will help China Best Group continue to accomplish its objective of becoming a leading “fully-integrated” coke enterprise in China.

Future Prospect

In September, the annual production capacity of Shanxi Changxing has reached 600,000 tons, and the utilization rate of such capacity will therefore be uplifted. The Group expects, when the scheduled production capacity of the project is able to be fully utilized and there has been an increase in sales, its operation efficiency will further be enhanced. The Group also commits its human resources to the project so as to raise its management efficiency, and endeavours to proceed with the project targeting to bring profit contributions for the Group in the latter half year.

Despite the recent fluctuation of coke prices, the Group is confident in the future development prospect of coke as a major resource in the long run. The continual growth of China’s economy gives an impetus to the steady development of the local steel and other related industries including automotive manufacturing industry and infrastructure construction, thus creating a stable and persistent demand for coke industry. The Group will continue to establish coke business as its development focus, strive to identify other investment and cooperation opportunities for strengthening its coke business portfolio by steps, and explore opportunities for extension of its business arms to upstream mineral resources and downstream coal processing industry.

Ma Jun Li

Chairman

Hong Kong, 22nd September, 2006