Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I am pleased to present the annual report of Everbest Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006.

FINANCIAL RESULTS

On 24 October 2006, the Group has completed the acquisition of entire interest in Clear Interest Limited ("CIL"), details of the acquisition have been disclosed in the circular dated 28 August 2006. The wholly owned subsidiary of CIL, Zhong Yue Energy Development (Shenzhen) Company Limited, which owns 90% of interest of Jinfeng Industrial and Trading Company Limited ("Jinfeng"). The existing principal activities of Jinfeng are the production and sale of coal in the People's Republic of China ("PRC").

Since the acquisition, CIL and its subsidiaries ("CIL Group") contributed approximately HK$102.6 million to the Group's turnover and approximately HK$27.5 million to the Group's profit for the year ended 31 December 2006. Net of operating loss from other operating Group companies, the total profit after tax from continuing operations was amounted to approximately HK$9.5 million.

Had the combination taken place at 1 January 2006, the revenue of the Group for the year ended 31 December 2006 would have been approximately HK$324.5 million.

The Group recorded a net loss of approximately HK$79.1 million for the year ended 31 December 2006. This was mainly due to the loss arisen from the discontinued operations, i.e. generation and sale of electricity, which was amounted to approximately HK$88.6 million. The loss from discontinued operation was mainly due to the loss on remeasurement to fair value less costs to sell, which was amounted to approximately HK$111.0 million, as disclosed in note 10 to the Financial Statements. As disclosed in the announcement dated 13 February 2007, the Directors had expected the Group would record an unaudited loss on disposal of approximately HK$111.2 million.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the circular dated 28 August 2006 issued by the Company, the steady growth of the PRC's economy would increase the demand for coal of certain coal-consuming industries, such as power and metallurgical industries. The Group intended to concentrate its business operations and development in the field of coal mining and related businesses.

Chairman's Statement

Environmental protection was one of the important policies of the PRC government, and it is generally perceived that coal-fired electricity power plants were a significant source of air pollution and wastage in the PRC. As referred to in a notice issued by the State Council of the PRC in January 2007, in order to reduce unit energy consumption per capita and to mitigate wastage output for the purpose of the 11th Five-Year National Economic and Social Development Plan (國民經濟和社會發展第十一個五年規劃) of the PRC from 2006 to 2010, certain small-scale coal-fired electricity power plants in the PRC would be required to be gradually closed down during the 5-year period. The Directors considered that the aforesaid policy of the PRC government, together with the increasing emphasis on environmental protection by the public and private sectors in the PRC, would have material adverse impacts on the prospects of the Group's power plant business in the PRC, i.e. the principal business operated by Royce Group Limited ("RGL") and its subsidiaries ("RGL Group").

However, the Directors noted that the financial and operating results of RGL Group had worsened since 2005. The Directors considered that the disposal of RGL Group would provide the Group an opportunity to realise its investments in the business of power plant. In addition, the Group would not be required to provide additional resources for the ongoing development of RGL Group after disposal, which resources could be used for the coal-mining business of the Group. The principal business of the Group immediately after the disposal would be production and sale of coal.

The Group has entered a disposal agreement with a third party on 8 February 2007 to dispose RGL Group. Reference is made to the announcement of the Company dated 13 February 2007.

PROSPECT

The Directors were optimistic about its coal-mining business in the PRC given the increasing demand for energy resources by the various sectors of the PRC. It was intended that the Group would continue to identify suitable mining rights and mining assets for acquisition.

The future plan of the Group is to concentrate its business operations and development in the field of coal mining and related businesses. Apart from the future business plan as discussed above, the Company will continue to put efforts on the aspects of operational improvement and cost-effectiveness enhancement in order to achieve higher returns to shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the net asset value of the Group is approximately HK$292.6 million (31 December 2005: approximately HK$310.6 million) and the total cash and bank balance is approximately HK$30.7 million (31 December 2005: approximately HK$27.2 million).

As at 31 December 2006, bank loans of approximately HK$46.0 million were denominated in Renminbi ("RMB") and were unsecured, bear interest at fixed rates ranging from 6.12% to 12.83% per annum and repayable within one year.

Chairman's Statement

The Group's gearing ratio, as a ratio of long term liabilities to shareholders' funds, was 98.6% as at 31 December 2006, showing an increase of 70.8% from 27.8% as at 31 December 2005.

The high gearing ratio was mainly attributable to the increase of long term liabilities as a result of convertibles bonds and promissory notes were issued as part of consideration for acquisition of CIL during the year. Reference is made to the circular dated 28 August 2006. In view of this high gearing and to maintain the Group's healthy net liquid cash position, the directors will continue to pay extra care in the cashflow management and also strive to restructure the company's borrowings in an appropriate manner.