Management Discussion and Analysis

For the year ended 31st December, 2006, the consolidated turnover of the Group amounted to HK$656,195,000 (Year ended 31st December, 2005: HK$284,466,000). Total gross loss was approximately HK$9,613,000 (Year ended 31st December, 2005: HK$8,640,000). For the year ended 31st December, 2006, the Group recorded net loss before Minority Interest HK$45,768,000 (Year ended 31st December, 2005: HK$136,992,000).

The financial results for current year have greatly improved comparing with the previous corresponding year.

Business Review

Coke Business

From 1st July 2005, the newly acquired coke enterprise was consolidated into the accounts of China Best Group. The turnover of the Group's coke business was HK$84,642,000 for the year ended 31st December, 2006 (2005: HK$55,087,000). Total gross loss was HK$13,015,000 for the year ended 31st December, 2006 (2005: HK$11,814,000).

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$12,488,000 for the year ended 31st December, 2006 (Year ended 31st December, 2005: HK$12,028,000), representing a increase of 3.8% as compared to the previous year. Total gross profit was HK$3,402,000 profit, (Year ended 31st December, 2005: HK$3,174,000), an increase of HK$0.2 million comparing with the previous year.

The Group's freight forwarding business was stabilized throughout 2006. Though international freight forwarding business turnover had been improved, the operating profit margin is thinner than previous corresponding year. Meanwhile, the Group is actively seeking business opportunity with strategy partner in freight forwarding business in China.

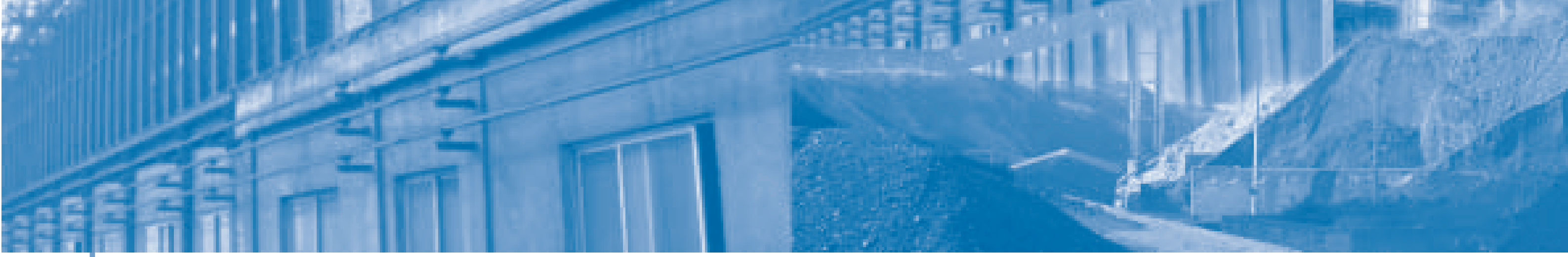
Securities Investment

The turnover of the Group's securities investment business was HK$559,065,000 for the year ended 31st December, 2006 (Year ended 31st December, 2005: HK$217,351,000), representing an increase of 157% as compared to the previous year. The realised and unrealised gain on investment held for trading amounted to HK$9,861,000 (2005: HK$418,000) for investments held for trading during the year under review.

Liquidity and Cashflow Resources

The gearing ratio maintained is at 0.93 (31st December, 2005: 0.31) and the current ratio increased from 0.52 to 0.58. The calculation of gearing ratio is based on interest bearing borrowings of HK$67,647,000 (31st December, 2005: HK$47,710,000) and the equity attributable to equity holders of the Company of HK$72,885,000 (31st December, 2005: HK$58,955,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK$153,521,000 (31st December, 2005: HK$97,962,000) and the current liabilities of HK$264,952,000 (31st December, 2005: HK$187,243,000) at the balance sheet date.

On 29th March, 2006, the Group entered into a top-up placing agreement with the major shareholder, Best Chance Holdings Limited and placing agent, Gold Bond Securities Limited for issuing 483,000,000 shares at a subscription price HK$0.109. We believe the placing of the shares can strength our financial position enable the Company to have sufficient and readily available financial resources for the proposed investment in the coke industry in the PRC and for general working capital purpose.



Management Discussion and Analysis

On 27th July 2006, the Group entered into a non-legally binding memorandum of understanding "MOU" with Shanxi Taixing Group Company Limited and Char Coke (Asia) Investment Limited for the acquisition of a controlling interest 51% in a coke processing venture, Hejing City Taixing Coke Chemical Company Limited at RMB219,300,000. 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.

Capital Expenditure

For the year under review, the Group incurred a total capital expenditure of HK$57,707,000 (2005: HK$125,151,000), which was funded by its own financial resources and bank borrowings. HK56,214,000 million was spent on development of the production facilities in Shanxi, Mainland China and the balance of HK$1,493,000 million was spent mainly on furniture & fixtures/office equipment in other areas.

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 contributed positively to the Group's bottom line. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposure in 2006.

Change of Directorship

On 20th January 2006, Mr. Leung Chung Tak Barry was appointed as non-executive director of the Company.

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 – coke processing, we continue to dig out investment opportunities and select strategic partners for business development especially in this recovery of economic environment.

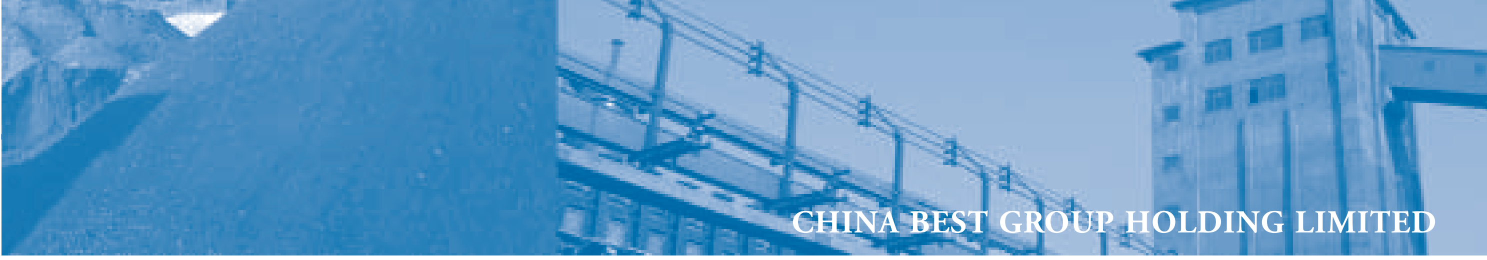
Furthermore, we will also develop our business to be the leader of the newly growing business coke processing. The Group had decided to re-locate more resources to occupy our unique market position in China especially in Shanxi. Through our group's international exposure in management & financing, and followed the National policy of PRC, we are confident to develop successful business model to obtain high contribution and stable revenue from coke processing in the future.

Recent development

The Board considered that there was a favourable indication for the recent upward trend of coking market.

Short-term strategy

The Group has decided to acquire more 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.



Management Discussion and Analysis

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 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.

Since PRC is a major coke producer and exporter in the international market, future development prospect of coke industry is considered to be optimistic. In the overseas market, the boosting global steel industry, Japanese economy recovery and the fact that coke production in Europe and the United States being restrained by stringent environmental legislations and obsolescence of production facilities together created buoyant demand for coke.

Pledge of Assets

At the balance sheet date, the Group's bank deposits of HK$24,349,000 (31st December 2005: HK$11,129,000) were pledged to banks to secure general banking facilities granted to the Group and the post dated bills payable.