

# MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 31st December, 2004, the audited consolidated turnover of the Group amounted to HK\$10,198,000 (year ended 31st March, 2004: HK\$70,971,000). Total gross profit was approximately HK\$2,244,000 (year ended 31st March, 2004: HK\$12,154,000).

Due to the change of year end date, the financial results of the Group for the nine months ended the new year end date of 31st December, 2004 and for the twelve months of the last financial year are not directly comparable. For the nine months under review, the Group recorded operating expenses of HK\$36,552,000 and net loss of HK\$50,470,000.

## BUSINESS REVIEW

### Freight Forwarding Business

For the nine months ended 31st December, 2004, turnover of the international forwarding agency business was HK\$10,198,000 (year ended 31st March, 2004: HK\$13.1 million), representing a decrease of 22% as compared to the previous twelve months. Net profit/(loss) was HK\$192,000 (year ended 31st March, 2004: HK\$62,000 loss).

Compared to the corresponding nine months of the last year, gross profit of this business segment increased to HK\$2,000,000, reflecting the successful repositioning strategy of the Group. The Group was highly selective in securing customers and had actively sought business opportunities with strategic partners in the sector, such as jointly developing forwarding businesses in Shanghai in China with Air China.

### Bio-medical Business

After series of acquisitions and capital restructurings, Nanjing E-life, our investee, independently developed a platform for the development of various bio-medical projects. The successful launch of these projects is expected to bring in stable return to this long term investment. However, as a result of over HK\$10,000,000 impairment loss provided for these proprietary projects under the international valuation standards, affecting the overall performance of the Group.

### Securities Business

There was no investment activity in securities for the nine months ended 31st December, 2004 and no unrealised holding gain during the period (year ended 31st March, 2004: unrealized holding gain HK\$9.4 million).

### Coke Business

In the reporting period, E-Life are actively seeking new investment opportunities, in order to strengthen the capital base and expand the coke business in Shanxi Province to develop the coke business as its core business.

On 13th July 2004, the Group entered into a non-legally binding memorandum of understanding "MOU" for the acquisition of a controlling interest in a coal processing enterprise, Gu Jiao Yi Yi Mei Jiao Company Limited. Located in Gujiao City, Shanxi Province, Gu Jiao is principally engaged in the production and sale of coke products and by-products. The annual production capacity of the coking plant has been expanded from 400,000 tonnes in 2003 to 750,000 tonnes in June 2004.

The coking plant of Shanxi Changxing has a production capacity of 600,000 tonnes, of which 300,000 tonnes of production capacity has been utilised. It is expected that it will be fully utilised at the beginning of this next half year.

Established in the PRC on 23rd May, 1995, Shanxi Changxing is mainly engaged in the production and sale of coke products and certain by-products. Its main product is metallurgical coke, which is used for the production of steel. The coke products of Shanxi Changxing is mainly sold to steel foundries in Tianjin and Jiangxi as well as trading Companies in Shanxin. By-products of Shanxi Changxing include tar and raw gas, which are primarily sold to carbon black factories (碳黑廠) and carbon factories in Shanxi.

The Company was actively proceeding with the above two acquisition projects with an aim of completing them as soon as possible.

## LIQUIDITY AND CASHFLOW RESOURCES

The gearing ratio is 0.36 (31st March, 2004: zero) and the current ratio is 2.8. The calculation of gearing ratio is based on interest bearing borrowings of HK\$19,500,000 (31st March, 2004: Nil) and the shareholders' equity of HK\$53,858,000 (31st March, 2004: HK\$87,610,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK\$30,963,000 (31st March, 2004: HK\$31,226,000) and the current liabilities of HK\$11,028,000 (31st March, 2004: HK\$10,889,000) at the balance sheet date.

## PLEDGE OF ASSETS

At the balance sheet date, the Group's bank deposits of HK\$200,000 (31st March, 2004: HK\$200,000) were pledged to banks to secure general banking facilities granted to the Group.

On 2nd December, 2004, the Group had mortgaged its long term investment of the Promoters' Shares of Beijing Beida Jade Bird Universal Sci-Technology Company Limited HK\$16,800,000 as the security of the redeemable convertible bonds.

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## EMPLOYEE AND HUMAN RESOURCES POLICY

On 16th September, 2004 and 1st April, 2005, Mr. Wang Da Yong and Mr. Zhang Jun, experts for coke business were appointed as executive directors by the Group. On 16th September 2004, Mr. Lee Yuen Kwong was appointed as independent non-executive director of the Company for improving the Corporate Governance.

The Group had approximately 26 staff at the period end. Staff cost amounted to HK\$4,171,000 (year ended 31st March 2004: HK\$5,485,000). The Group is well acquainted with the importance of the maintaining high calibre and competent employees by implementing a strict recruitment policy accordingly. It offers benefit like shares options to staff in order to instill a place of loyalty of the Company.

## CHANGE OF COMPANY NAME

To reflect E-LIFE's business nature and future development, the Board proposes and the Company will change its English name to CHINA BEST GROUP HOLDING LIMITED and Chinese name to “國華集團控股有限公司” subject to the approval of Special General Meeting on 4th May 2005 by the shareholders.