

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover of the Group was HK\$5.653 million for the six months ended 30th June, 2005 (six months ended 30th September, 2004 ("comparative period"): HK\$5.649 million), representing an increase of 0.1% from that of the comparative period. The loss attributable to shareholders for the period under review was HK\$36.510 million (six months ended 30th September, 2004: HK\$10.569 million).

BUSINESS REVIEW

Coke Business

Given China's strong and rapid economic growth and its corresponding impact on coke related business opportunities, the Group was actively seeking potential coke projects including Gu Jiao Yi Yi Mei Jiao Company Limited that are closely linked with the growing demand for coke in China. During the period under review, the Group entered into a Subscription Agreement with Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing") in February 2005, which was approved by shareholders at a special general meeting held in June 2005. The approval marked an important step of the Group in developing coke operations in Shanxi Province, the PRC as its core business.

Shanxi Changxing's new coke refinery facility with an annual capacity of 300,000 tonnes commenced operation in the first half of 2005, while the second phase with an annual capacity of 300,000 tonnes commenced operation in the second half of 2005. The principal product of Shanxi Changxing is metallurgical coke, which is used mainly for the production of steel products, and is mainly sold to steel manufacturers in Tianjin and Jiangxi provinces, the PRC as well as trading companies in the Shanxi province. By-products produced by Shanxi Changxing include coal tar and coke oven gas, which are mainly sold to local carbon manufacturers.

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK\$5.395 million for the six months ended 30th June, 2005, representing a decrease of HK\$0.254 million from HK\$5.649 million of the comparative period. Total gross profit slightly rose from the comparative period of HK\$1.2 million to HK\$1.3 million.

The Group's freight forwarding business returned to a stage of stable development after experiencing severe setbacks in the previous periods. Although profit margins of the international freight forwarding business was still very low, results of the strategic action by the management to reposition the Group were reflected in a turnaround. Operating profit from the freight forwarding business had substantially increased. Meanwhile, the Group was highly selective in its customers, and collaborated with strategic partners in freight forwarding business in China such as China Airline.

Bio-medical Business

After a series of acquisitions and capital restructuring, the Group's investment, Nanjing E-life, had developed on its own a platform for the future growth of different bio-medical projects. Upon successful commercialisation of these projects, this long-term investment will bring high profit return to the Group. There is no further substantial investment in the bio-medical venture.

Securities Investment

The turnover of the Group's securities investment was HK\$0.258 million for the six months ended 30th June, 2005 (six months ended 30th September, 2004: Nil). Loss in securities investment amounted to HK\$0.352 million for the six months ended 30th June, 2005 (six months ended 30th September, 2004: Nil), and there was a fair value adjustment of HK\$0.2 million for investments held for trading during the period under review (six months ended 30th September, 2004: Nil).

There was a fair value adjustment of HK\$4.5 million for investments at fair value through income statement during the period under review (six months ended 30th September, 2004: Nil)

LIQUIDITY AND CASHFLOW RESOURCES

As at 30th June, 2005, the gearing ratio stood at zero (31st December, 2004: 0.36) and the current ratio increased from 2.81 to 4.73. The calculation of gearing ratio was based on interest bearing borrowings of Nil (31st December, 2004: HK\$19,500,000) and the shareholders' equity of HK\$121,601,000 (31st December, 2004: HK\$53,858,000) at the balance sheet date. The calculation of current ratio was based on the current assets of HK\$72,477,000 (31st December, 2004: HK\$30,963,000) and the current liabilities of HK\$15,311,000 (31st December, 2004: HK\$11,028,000) at the balance sheet date.

On 2nd March, 2005, the Company issued additional US\$2,500,000 redeemable convertible bonds to Asset Managers (China) Fund Co., Ltd. ("Asset Managers") for up to US\$5,000,000 redeemable convertible bonds. On the same date, Asset Managers also exercised the option granted by the Company for subscription of two redeemable convertible bonds in another amount of US\$5,000,000. On 2nd March, 2005 and 1st June 2005, Assets Managers converted US\$8,000,000 and US\$2,000,000 respectively in total at US\$10,000,000 to 876,404,493 ordinary shares at the fixed price of HK\$0.089. The subscription and conversion of bonds helped strengthen the Group's financial position and provide strong financial support for the Group's diversification into the growing coke related production industry in the PRC.

PLEDGE OF ASSETS

As at 30th June, 2005, the Group's bank deposits of HK\$200,000 (31st December, 2004: HK\$200,000) were pledged to banks to secure general banking facilities granted to the Group.

CHANGE OF DIRECTORSHIP

On 1st April, 2005 Mr. Zhang Jun was appointed as executive director of the Company. On 6th and 27th May, 2005, Mr. Bao Wen Bin and Mr. Pak Chun resigned as executive directors of the Company respectively.

EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 26 staff at the end of the period under review. Staff cost amounted to HK\$2,758,000 (six months ended 30th September, 2004: HK\$2,624,000). The Group deeply understands the importance of keeping high calibre and competent employees by implementing a strict recruitment policy accordingly.

CHANGE OF COMPANY NAME

To better reflect the Group's business nature and future development, the Company proposed to change its name, which was approved by shareholders at the special general meeting on May 2005. The English name of E-LIFE has been changed to "China Best Group Holding Limited", while the Chinese name of "益華國際投資集團有限公司" has been changed to "國華集團控股有限公司".

BUSINESS PROSPECTS

The Group will continue to concentrate on the coke business as its core business, with an aim to be a leading player in coke processing in Shanxi, a province in the PRC which accounts for 80% of the national coke production. As such, the Group plans to allocate most of its resources to the development of coke business.

The acquisition of Shanxi Changxing's 51% equity interest was approved by shareholders in late June 2005 and is expected to complete in October 2005. The Group is confident that its coke processing business will become the core business of the Group and bring significant profit contribution in the second half of 2005.

INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2005 (six months ended 30th September, 2004: Nil).

DIRECTORS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2005, the interests and short positions of the directors and their associates in the shares and underlying shares of the Company and its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the Securities and Futures Ordinance ("SFO") (including interests and short positions which they were taken or deemed to have under such provision of the SFO), or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long Position in the shares and share options of the Company

Name of Directors	Capacity	Interests in shares	Interests in underlying shares (share options)	Percentage of the issued share capital of the Company	
Wang Jian Hua	<i>Note 1</i>	Interest by attribution	2,113,872,000	–	38.67%
Wang Jian Hua		Beneficial owner	–	339,900,000	6.22%
Ma Jun Li	<i>Note 2</i>	Beneficial owner	–	12,000,000	0.22%
Ng Tang	<i>Note 3</i>	Interest by attribution	85,728,000	–	1.57%
Ng Tang		Beneficial owner	10,000,000	–	0.18%
Ren Zheng		Beneficial owner	2,000,000	4,000,000	0.11%

Notes:

1. These shares were held by Best Chance Holdings Limited which is held and beneficially wholly owned by Mr. Wang Jian Hua.
2. Share options are held by Ms. Ma Jun Li, spouse of Mr. Wang Jian Hua.
3. These shares were held by Power Win Group Limited which is held and beneficially wholly owned by Mr. Ng Tang.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 30th June, 2005, none of the directors, nor their associates, had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporation.

SHARE OPTIONS

The Company has two share option schemes which were adopted on 5th March, 1996 (the "1996 Scheme") and 18th March, 2002 (the "2002 Scheme") and the 1996 Scheme was terminated on 18th March, 2002.

The following table discloses movements in the share options which have been granted under the share option schemes of the Company during the period:

(1) 1996 Scheme

Director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 1.1.2005	Granted during the period	Exercised during the period	Surrendered/ lapsed during the period	Outstanding at 30.6.2005
Mr. Pak Chung (Note a)	17.11.2000	17.5.2001 to 17.11.2005	0.144	2,000,000	-	-	-	2,000,000
Other employees	7.3.2000	7.9.2000 to 7.3.2005	0.250	200,000	-	-	(200,000)	-
	11.4.2000	11.10.2000 to 11.4.2005	0.295	200,000	-	-	(200,000)	-
Sub-total				400,000	-	-	(400,000)	-
				2,400,000	-	-	(400,000)	2,000,000

At the date of this report, the number of shares in respect of which options could be exercisable under the 1996 Scheme was 2,000,000 representing approximately 0.04% of the shares of the Company in issue at the date.

(2) 2002 Scheme

Director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 1.1.2005	Granted during the period	Exercised during the period	Surrendered/ lapsed during the period	Outstanding at 30.6.2005
Mr. Wang Jian Hua	8.11.2002	8.11.2002 to 8.11.2005	0.119	339,900,000	-	-	-	339,900,000
Mr. Ng Tang	8.11.2002	8.11.2002 to 8.11.2005	0.119	10,000,000	-	(10,000,000)	-	-
Mr. Bao Wen Bin (Note b)	8.11.2002	8.11.2002 to 8.11.2005	0.119	12,000,000	-	(12,000,000)	-	-
Ms. Ma Jun Li	8.11.2002	8.11.2002 to 8.11.2005	0.119	12,000,000	-	-	-	12,000,000
Mr. Pak Chung (Note a)	19.9.2002	19.9.2002 to 19.9.2005	0.119	3,000,000	-	-	-	3,000,000
Mr. Ren Zheng	19.9.2002	19.9.2002 to 19.9.2005	0.119	6,000,000	-	(2,000,000)	-	4,000,000
Sub-total				<u>382,900,000</u>	<u>-</u>	<u>(24,000,000)</u>	<u>-</u>	<u>358,900,000</u>
Employees and others	19.9.2002	19.9.2002 to 19.9.2005	0.119	17,800,000	-	(4,200,000)	-	13,600,000
	23.9.2004	23.9.2004 to 23.9.2014	0.070	200,000,000	-	(10,000,000)	-	190,000,000
	5.10.2004	5.10.2004 to 5.10.2014	0.0762	240,000,000	-	(149,000,000)	-	91,000,000
Sub-total				<u>457,800,000</u>	<u>-</u>	<u>(163,200,000)</u>	<u>-</u>	<u>294,600,000</u>
				<u>840,700,000</u>	<u>-</u>	<u>(187,200,000)</u>	<u>-</u>	<u>653,500,000</u>

Notes: a. Mr. Pak Chung resigned as director of the Company on 27th May, 2005.

b. Mr. Bao Wen Bin resigned as director of the Company on 6th May, 2005.

At the date of this report, the number of shares in respect of which options could be exercisable under the 2002 Scheme was 653,500,000 representing approximately 11.96% of the shares of the Company in issue at the date.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

SHARE OPTION SCHEMES

(a) *The 1996 Scheme*

Pursuant to the share option scheme adopted on 5th March, 1996 (the "1996 Scheme") and effective for a period of ten years after the date of adoption of the scheme, the Company granted options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company for the primary purpose of providing incentives to directors and eligible employees. Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The subscription price, subject to adjustment, shall not be less than 80% of the average of the closing prices of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable for a period of four and a half years commencing on the expiry of six months after the date on which the options are granted. The total number of shares in respect of which options may be granted and had already been granted under the 1996 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted and had already been granted to any individual is not permitted to exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the 1996 Scheme.

Pursuant to the special resolution passed by shareholders of the Company on 18th March, 2002, the Company adopted a new share option scheme (the "2002 Scheme") and terminated the 1996 Scheme. Upon termination of the 1996 Scheme, no further options will be granted thereafter, but in all other respects, the provisions of the 1996 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

At 30th June, 2005, the number of shares in respect of which options had been granted and remained outstanding under the 1996 Scheme was 2,000,000 (31st December 2004: 2,400,000), representing 0.04% (31st December 2004: 0.05%) of the shares of the Company in issue at that date.

(b) *The 2002 Scheme*

On 18th March, 2002, the Company adopted the 2002 Scheme under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital as at 18th March, 2002, i.e. 403,237,500 shares unless a fresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company (including the 1996 Scheme) shall not in aggregate exceed 30% of the shares in issue from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant.

At 30th June, 2005, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 653,500,000 (31st December 2004: 840,700,000), representing 11.96% (31st December 2004: 19.10%) of the shares of the Company in issue at that date.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the six months ended 30th June, 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, the interests of parties, other than the directors, in 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO are as follows:–

Long Positions

Name	Capacity	Interests in Shares	Interests in underlying Shares	Percentage of the Company's Issued share capital
Best Chance Holdings Limited (<i>Note 1</i>)	Beneficial owner	2,113,872,000	–	38.67%
Fortune Garden Investment Limited (<i>Note 2</i>)	Beneficial owner	288,168,192	–	5.27%
Mr. Pak Chung (<i>Note 2</i>)	Beneficial owner	–	5,000,000	0.09%
	Interest by Attribution	288,168,192	–	5.27%
Asset Managers Co., Ltd. (<i>Note 3</i>)	Interest of controlled corporation	841,110,376	–	15.39%
Red Rock Investment Co., Ltd. (<i>Note 3</i>)	Interest of controlled corporation	841,110,376	–	15.39%
Asset Managers (China) Company Limited (<i>Note 3</i>)	Interest of controlled corporation	841,110,376	–	15.39%
Asset Investors Co., Ltd. (<i>Note 3</i>)	Interest of controlled corporation	841,110,376	–	15.39%
Asset Managers (China) Fund Co., Ltd. (<i>Note 3</i>)	Beneficial owner	841,110,376	–	15.39%

Notes:

- The interests in the name of the Best Chance Holdings Limited were also disclosed as interest of Mr. Wang Jian Hua in the above section headed "Directors' Interests in Shares and Short Positions In Shares And Underlying Shares".
- The interests of Mr. Pak Chung include the 288,168,192 shares held by Fortune Garden Investment Limited which is held and beneficially wholly owned by Mr. Pak.
- Asset Managers (China) Fund Co., Ltd was owned as to 50% by Asset Investors Co., Ltd (which was owned as to 57.69% by Asset Managers Co., Ltd) and 50% by Asset Managers (China) Company Limited (which was owned as at 70% by Red Rock Investment Co., Ltd.). Red Rock Investment Co., Ltd was a wholly owned subsidiary of Asset Managers Co., Ltd. The interest of 841,110,376 shares held by Asset Managers (China) Fund Co., Ltd in the share capital of the Company was deemed as the interest of Asset Investors Co., Ltd. Asset Managers (China) Company Limited, Red Rock Investment Co., Ltd and Asset Managers Co., Ltd.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchase, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2005 under review.

AUDIT COMMITTEE

The Audit Committee of the Board, consisted of three independent non-executive directors, has reviewed the Interim Report and recommended its adoption by the Board.

The Interim Report, which is prepared in accordance with HKAS 34 "Interim Financial Reporting", has also been reviewed by the Company's independent auditors Messrs. Deloitte Touche Tohmatsu in accordance with the Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports".

REMUNERATION COMMITTEE

The Remuneration Committee was established and comprised mainly of independent non-executive director.

The Remuneration Committee is primarily responsible for making recommendation to the Board on the remuneration policy for all Directors and senior management. The Board is in the process of reviewing and formulating its terms of reference in accordance with the CG Code. There is no fixed schedule for meeting of Remuneration Committee; the Committee meets to discuss related issues when need arises.

CORPORATE GOVERNANCE

Throughout the six months ended 30th June, 2005, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules which came into effect on 1st January, 2005, with deviations from code provisions A.2.1, A.4.1 and A.4.2 of the Code in respect of the separate role of chairman and chief executive officer, service term and rotation of directors.

Under the code provisions A.2.1, A.4.1 and A.4.2 of the Code, (a) the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing; (b) non-executive directors should be appointed for a specific term and subject to re-election; and (c) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and rotation at least once every three years.

Code Provision A2.1

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a separate chairman and chief executive and Mr Wang Jian Hua currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. Besides, the balance of powers and authority is ensured by the Board of Directors, which comprises 7 executive directors and 3 independent non-executive directors and meets regularly to consider major matters affecting the operations of the Company. Questions arising at the board meeting shall be determined by a majority of votes and in case of any equality of votes, the chairman of the meeting shall have an additional or casting vote. Therefore, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and believes that such structure shall enable the Company to make and implement decisions promptly and effectively. The Board also has full confidence in Mr Wang and believes that his dual roles in the Company will be beneficial to the future business prospects of the Company.

Code Provision A.4.2

According to Bye-law 87 of the Bye-laws of the Company one-third of the directors for the time being shall retire from the office by rotation at each annual general meeting provided that the Chairman of the Board of the Company shall not be subject to retirement by rotation. The directors to retire by rotation shall include any director who wishes to retire and not to offer himself for re-election, or those who have been longest in office since their last re-election or appointment or those who were appointed by the Board to fill casual vacancy. However, as between persons who became or were last re-elected directors on the same day, those to retire shall be determined by lot (unless they otherwise agree among themselves). As the Chairman of the Board is not subject to retirement by rotation under the Bye-laws of the Company, this constitutes a deviation from code provision A.4.2 of the Code. Nevertheless, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall be eligible for re-election.

To ensure compliance with code provision A.4.2 of the Code, relevant amendments to the Bye-laws of the Company will be proposed for approval by the shareholders at the next general meeting of Company such that all directors shall be subject to retirement by rotation at least once every three years.

Code Provision A.4.1

None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors of the Company (executive and non-executive) are subject to the retirement provisions under Bye-law 87 of the Bye-laws of the Company as described above. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2005.

APPRECIATIONS

The Group is sincerely grateful to all of its customers, agents, carriers, employees and shareholders for their invaluable support and continued loyalty.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All information that is required by paragraph 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.