Management Discussion and Analysis

For the year ended 31st December, 2005, the audited consolidated turnover of the Group amounted to HK$284,466,000 (Nine months ended 31st December, 2004: HK$10,198,000). Total gross profit/(loss) was approximately HK$8,222,000 loss (Nine months ended 31st December, 2004: profit of HK$2,244,000). For the year ended 31st December, 2005, the Group recorded net loss attributable to Equity holders of the Company HK$136,992,000 (Nine months ended 31st December, 2004: HK$50,470,000) *(Note 9)*.

However, the financial results for current year are not directly comparable against the previous nine months period.

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$55,087,000 for the year ended 31st December, 2005 (2004: Nil). Total gross profit/(loss) was HK$11,814,000 loss, for the year ended 31st December, 2005 (2004: Nil).

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 would be commenced operation in the August of 2006 and now being under construction at a fast pace. 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$12,028,000 for the year ended 31st December, 2005 (Nine months ended 31st December, 2004: HK$10,198,000), representing an increase of 18% as compared to the previous nine months. Total gross profit/(loss) was HK$3,174,000 profit (Nine months ended 31st December, 2004: HK$2,244,000 profit), an increase of HK$930,000 comparing with the previous nine months.

Though international freight forwarding business is still a very thin margin competition, the decisive action taken by the management for strategic repositioning contributes to a great improvement comparing with the previous nine months. Operating profit on freight forwarding business has substantially increased especially in Singapore. Meanwhile, the Group is highly selective in its customers; it is actively seeking business opportunity with strategy partner in freight forwarding business in China such as Air China.

Securities Investment

The turnover of the Group's securities investment business was HK$217,351,000 for the year ended 31st December, 2005 (Nine months ended 31st December, 2004: Nil). Total gross profit/(loss) was HK$1,484,000 profit, (Nine months ended 31st December, 2004: Nil). Net profit/loss in securities investment amounted to HK$907,000 profit after the fair value adjustment of HK$1,066,000 loss for investments held for trading during the year under review.

Furthermore, there was a fair value adjustment of HK$7,950,000 loss for investment at fair value through income statement during the year under review (Nine months ended 31st December, 2004: Nil).

Management Discussion and Analysis

Bio-medical Business

On 13th October, 2005, the Company entered into the Agreement of Disposal of equity interests in Starstruck for the interests in Nanjing E-life for the cash consideration of HK$20,000,000. Having regard to the Group's strategy for focusing on the coke processing business in the PRC, it is in the best interest of the Company to dispose its interests in Bio-medical Business. In addition, it is a good opportunity for the Group to exit the loss making bio-medical business.

Adverse Impact on the New Adoption of Accounting Standards and a One-off Impairment Loss on Goodwill of Acquisition

For the year ended 31st December 2005, the Company has adopted the new accounting standards as the Group accounting policies. As at 1st July 2005, there was a one-off impairment loss on goodwill of acquisition. Both of these non-cash items are summed up as below including:–

a) Fair value adjustment on investments at fair value through income statement:
HK$7,950,000 (2004: NIL);

b) Fair value adjustment on embedded derivatives:
HK$19,720,000 (2004: NIL);

c) Share based payment expenses:
HK$27,956,000 (2004: HK$16,713,000); and

d) Impairment loss on goodwill of acquisition:
HK$21,910,000 (2004: NIL).

Liquidity and Cashflow Resources

The gearing ratio maintained is at 0.81 (31st December, 2004: 0.36) and the current ratio decreased from 2.81 to 0.52. The calculation of gearing ratio is based on interest bearing borrowings of HK$47,710,000 (31st December, 2004: HK$19,500,000) and the equity attributable to equity holders of the Company of HK$58,955,000 (31st December, 2004: HK$53,858,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK$97,962,000 (31st December, 2004: HK$30,963,000) and the current liabilities of HK$187,243,000 (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. Finally, up to 1st June, 2005, Asset Managers converted the redeemable convertible bonds of US$10,000,000 in aggregate on 2nd March, 2005 and 1st June 2005 respectively at a conversion price of HK$0.089 into 876,404,493 shares. This 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 so as to further diversify its business into the growing coke related production industry in the PRC.

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

Pledge of Assets

At the balance sheet date, the Group's bank deposits of HK$11,129,000 (31st December, 2004: HK$200,000) were pledged to banks to secure general banking facilities granted to the Group and the post dated bills payable.

Change of Directorship

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

On 25th November, 2005, Ms. Ma Jun Li was elected as the Chairman and Mr. Wang Da Yong was appointed to be also the chief executive officer of the group. Mr. Wang Jian Hua was also resigned from 25th November 2005 as executive director of the Company.

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

Employee and Human Resources Policy

The Group had approximately 530 staff at the year end. Staff cost amounted to HK$6,320,000 (2004: HK$2,597,000). 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 and Adoption of Company Logo

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 International Limited 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". In addition, the Group has already adopted a new company logo CHINA BEST as the symbol of the corporate future development.

Business Prospect

The Group is principally engaged in coke processing, international air and sea freight forwarding and the provision of logistics services. In order to strengthen this core business, we continue to dig out investment opportunities and select strategic partners for business development especially in this recovery of economic environment.

Furthermore, we have planned 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.

Future development prospect of coke industry considers to be optimistic. For international 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. China is a major coke producer and exporter in the international market. In 2005, China's coke output amounted to over 230 million tones, representing 51% of total world output. Also in 2005, China exported coke to 51 countries and regions in 2005 and its export amounted to 12.76 million tones, representing 45% of total world export.