

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2005.

CHANGE OF COMPANY'S NAME

Pursuant to a resolution passed at a special general meeting held on 4th May, 2005, the name of the Company was changed from E-LIFE International Limited 益華國際投資集團有限公司 to China Best Group Holding Limited 國華集團控股有限公司 with effect from 2nd June, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal associates and subsidiaries are set out in notes 19 and 44 respectively, to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 29 of the annual report.

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2005.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Acquisition of Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing")

In February 2005, Funeway Investments Limited ("Funeway"), a wholly-owned subsidiary of the Company, entered into a subscription agreement ("Subscription Agreement") with Shanxi Changxing, Mr. Yu-wen Jiang Ming ("Mr. Yu-wen") and Ms. Yu-wen Man Rui ("Ms. Yu-wen"), whereby Funeway and Mr. Yu-wen agreed to subscribe for RMB64.26 million (equivalent to approximately HK\$60.6 million) and RMB41.74 million (equivalent to approximately HK\$40.1 million) in the increased registered capital of Shanxi Changxing, respectively.

Upon completion of the Subscription Agreement, Shanxi Changxing will be owned as to 51.0% by Funeway, approximately 44.2% by Mr. Yu-wen and 4.8% by Ms. Yu-wen.

The principal activity of Shanxi Changxing is the manufacture and sale of coke and certain by-products in the Peoples' Republic of China (the "PRC"). The acquisition was approved by the shareholders of the Company at the special general meeting on 23rd June, 2005. Details of which are set out in the circular of the Company dated 7th June, 2005.

Up to present, certain terms of the Subscription Agreement have not been fulfilled and various extension agreements were entered into among the above parties to extend the completion date of the Subscription Agreement, which has now been extended to 31st July, 2006, details of which are set out in the announcements of the Company dated 22nd August, 2005, 14th November, 2005, 17th February, 2006 and 10th March, 2006.

Directors' Report

Disposal of Starstruck Investments Limited ("Starstruck")

On 13th October, 2005, the Company entered into a sale and subscription agreement with World Flex Investment Limited, an independent third party, for the disposal of the 100% equity interest in Starstruck for a cash consideration of HK\$20 million. Starstruck is an investment holding company with 49.37% equity interest in Nanjing E-Life Gene Technology Company, a sino-foreign joint venture in the PRC, engaging in the development of biotechnological genetic products. The transaction was completed on 30th October, 2005, details of which are set out in the announcement of the Company dated 14th October, 2005.

INVESTMENT PROPERTY

The Group's investment property at 31st December, 2005 were revalued by an independent firm of professional property valuers on a fair value basis. Details of the investment property of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment with an aggregate carrying value of approximately HK\$99.2 million was acquired as a result of the acquisition of Shanxi Changxing.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

On 2nd December, 2004, the Company entered into a subscription agreement with an independent third party (the "subscriber") for the issue of two redeemable convertible bonds with an aggregate principal amount of US\$5,000,000, convertible into shares of the Company at an initial conversion price of HK\$0.089 per share, subject to adjustment, if the conversion rights are not exercised within 3 months from the issue date of the relevant bonds ("Conversion Terms"). Convertible bonds with a principal amount of US\$2,500,000 and US\$2,500,000 were issued on 16th December, 2004 and 2nd March, 2005, respectively.

On the same date, the Company also granted an option to the subscriber for subscription of two additional redeemable convertible bonds with aggregate principal amount of US\$5,000,000 ("Convertible Note Option"). On 2nd March, 2005, the subscriber has exercised the Convertible Note Option and the Company issued two additional redeemable convertible bonds in the amount of US\$5,000,000 to the subscriber with the same Conversion Terms.

Details of the above were set out in the announcement of the Company dated 3rd December, 2004 and 2nd March, 2005.

The convertible bonds of US\$10,000,000 were fully converted into 876,404,493 ordinary shares of HK\$0.05 each in the Company, at a conversion price of HK\$0.089 per share, during the year.

The Company also issued and allotted 187,200,000 ordinary shares of HK\$0.05 each in the Company as a result of the exercise of the share options for a cash consideration of HK\$14.7 million.

Details of these and other movements in the share capital and convertible bonds of the Company during the year are set out in notes 31 and 33 to the financial statements, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st December, 2005, in the opinion of the directors, the Company had no reserves available for distribution to shareholders (2004: Nil).

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

| | |
|---------------------|-----------------------------------|
| Ms. Ma Jun Li | <i>(Chairman)</i> |
| Mr. Ng Tang | <i>(Deputy Chairman)</i> |
| Mr. Wang Da Yong | <i>(Chief Executive officer)</i> |
| Mr. Ren Zheng | |
| Ms. Cheung Hoi Ping | |
| Mr. Zhang Jun | (appointed on 1st April, 2005) |
| Mr. Wang Jian Hua | (resigned on 25th November, 2005) |
| Mr. Pak Chung | (resigned on 27th May, 2005) |
| Mr. Bao Wen Bin | (resigned on 6th May, 2005) |

Non-executive director

| | |
|----------------------------|-----------------------------------|
| Mr. Leung Chung Tak, Barry | (appointed on 20th January, 2006) |
|----------------------------|-----------------------------------|

Independent non-executive directors:

| |
|---------------------|
| Ms. Chung Kwo Ling |
| Mr. Sun Yeung Yeung |
| Mr. Lee Yuen Kwong |

In accordance with the clauses 86(2) and 87(1) of the Company's Bye-laws, Mr. Leung Chung Tak, Barry, Mr. Ren Zheng and Ms. Chung Kwo Ling retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are still independent.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES

As at 31st December, 2005, the interests and short positions of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long position

Ordinary shares of HK\$0.05 each

| Name of directors | | Capacity | Interest in shares | Percentage of the issued share capital of the Company |
|--------------------|---------------|-------------------------|--------------------|---|
| Ms. Ma Jun Li | <i>Note 1</i> | Deemed Interest | 2,188,816,000 | 40.04% |
| Mr. Ng Tang, David | <i>Note 2</i> | Interest by attribution | 85,728,000 | 1.57% |
| Mr. Ng Tang, David | | Beneficial owner | 10,000,000 | 0.18% |
| Mr. Ren Zheng | | Beneficial owner | 2,000,000 | 0.03% |

Notes:

1. The shares represent deemed interest of Ms. Ma Jun Li by virtue of her spouse, Mr. Wang Jian Hua, being a substantial shareholder of the Company having a notifiable interest in the Company of such 2,113,872,000 shares were held by Best Chance Holdings Limited. By virtue of the SFO, Mr. Wang Jian Hua holding more than one third of voting rights of Best Chance Holdings Limited. Besides, 74,944,000 shares are held and beneficially owned by Mr. Wang Jian Hua.
2. 85,728,000 shares were held by Power Win Group Limited. By virtue of the SFO, Mr. Ng Tang holding more than one third of voting rights of Power Win Group Limited, was deemed to be interested in the same 85,728,000 shares held by Power Win Group Limited.

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 31st December, 2005, none of the directors, nor their associates, had any interests or short positions in any shares, underlying shares or convertible bonds of the Company or any of its associated corporations.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 32 to the financial statements.

Directors' Report

The following table discloses movements in the share options of the Company during the year:

(1) 1996 Scheme

| Name of former director | Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | | | |
|-------------------------|---------------|-------------------------|------------------------|-------------------------|-------------------------|---------------------------|------------------------|---------------------------|
| | | | | Outstanding at 1.1.2005 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.12.2005 |
| Mr. Pak Chung** | 17.11.2000 | 17.5.2001 to 17.11.2005 | 0.144 | 2,000,000 | - | - | (2,000,000) | - |

(2) 2002 Scheme

| | Date of grant | Exercisable period | Exercise price HK\$ | Number of share options | | | | |
|-------------------------------|---------------|------------------------|------------------------|-------------------------|-------------------------|---------------------------|------------------------|---------------------------|
| | | | | Outstanding at 1.1.2005 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.12.2005 |
| I. Directors/former directors | | | | | | | | |
| 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** | 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** | 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 | | | | 382,900,000 | - | (24,000,000) | (358,900,000) | - |
| II. Employees | | | | | | | | |
| | 19.9.2002 | 19.9.2002 to 19.9.2005 | 0.119 | 17,800,000 | - | (4,200,000) | (13,600,000) | - |
| | 5.10.2004 | 5.10.2004 to 5.10.2014 | 0.0712 | 38,000,000 | - | (14,000,000) | - | 24,000,000 |
| | 26.9.2005 | 26.9.2005 to 25.9.2015 | 0.083 | - | 36,700,000 | - | - | 36,700,000 |
| Sub-total | | | | 55,800,000 | 36,700,000 | (18,200,000) | (13,600,000) | 60,700,000 |
| III. Other eligible persons | | | | | | | | |
| | 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 | 0.0712 | 202,000,000 | - | (135,000,000) | - | 67,000,000 |
| | 26.9.2005 | 26.9.2005 to 25.9.2015 | 0.083 | - | 481,000,000 | - | - | 481,000,000 |
| Sub-total | | | | 402,000,000 | 481,000,000 | (145,000,000) | - | 738,000,000 |
| Total categories | | | | 840,700,000 | 517,700,000 | (187,200,000) | (372,500,000) | 798,700,000 |

** Mr. Wang Jian Hua, Mr. Bao Wen Bin and Mr. Pak Chung resigned as executive directors of the Group on 25th November, 2005, 6th May, 2005 and 27th May, 2005, respectively. The options granted to them under the 2002 Scheme were lapsed during the year.

The closing price of the Company's shares immediately before 26th September, 2005, the date of grant of the 2002 Scheme's options, was HK\$0.084.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year 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.

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 year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2005, the register of substantial shareholders maintained by the company pursuant to section 336 of the SFO, other than the interests disclosed in "Directors' Interests in Shares and Short Positions in Shares", the following shareholders had notified the Company of relevant interest in the issued share capital of the Company.

Long position

Ordinary shares of HK\$0.05 each of the Company

| Name of shareholders | Capacity | Interest in shares | Percentage of the Company's issued share capital |
|---|---|-----------------------|--|
| Mr. Wong Jian Hua | Interest by attribution (<i>Note 1</i>) | 2,113,872,000 | 38.67% |
| | Beneficial owner | 74,944,000 | 1.37% |
| Best Chance Holdings Limited | Beneficial owner (<i>Note 1</i>) | 2,113,872,000 | 38.67% |
| Asset Managers (China) Fund Co., Ltd | Beneficial owner | 841,110,376 | 15.39% |
| Asset Investors Co., Ltd | Interest by attribution (<i>Note 2</i>) | 841,110,376 | 15.39% |
| Asset Managers (China) Company Limited | Interest by attribution (<i>Note 2</i>) | 841,110,376 | 15.39% |
| Asset Managers Co, Ltd | Interest by attribution (<i>Note 2</i>) | 841,110,376 | 15.39% |
| Red Rock Investment Co., Ltd | Interest by attribution (<i>Note 2</i>) | 841,110,376 | 15.39% |
| Mr. Pak Chung | Interest by attribution (<i>Note 3</i>) | 288,168,192 | 5.27% |
| Fortune Garden Investment Limited | Beneficial owner (<i>Note 3</i>) | 288,168,192 | 5.27% |

Directors' Report

Notes:

1. 2,113,872,000 Shares were held by Best Chance Holdings Limited in which Mr. Wang Jian Hua holding more than one third of its voting rights and was therefore deemed to be interested in the same 2,113,872,000 Shares held by Best Chance Holdings Limited.
2. 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 to 70% by Red Rock Investment Co., Ltd). Red Rock Investment Co., Ltd was a wholly owned subsidiary of Asset Managers Co., Ltd. By virtue of the SFO, Asset Investors Co., Ltd, Asset Managers (China) Company Limited, Asset Managers Co., Ltd and Red Rock Investment Co., Ltd were deemed to be interested in the interests held by Asset Managers (China) Fund Co., Ltd.
3. 288,168,192 Shares were held by Fortune Garden Investment Limited in which Mr. Pak Chung holding more than one third of its voting rights and was therefore deemed to be interested in the same 288,168,192 Shares held by Fortune Garden Investment Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31st December, 2005.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers for the year ended 31st December, 2005 were less than 30% of the total sales. The aggregate purchase attributable to the Group's five largest suppliers for the year ended 31st December, 2005 were less than 30% of the total purchases.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The Board has established the Audit Committee in accordance with the Listing Rules. The Committee comprises Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Lee Yuen Kwong, the three independent non-executive directors.

Summary of duties and works of the Audit Committee is set out in the "Corporate Governance Report" in this annual report.

EMOLUMENT POLICY

The Board established the Remuneration Committee in accordance with the Listing Rules. The Committee comprises Ms. Ma Jun Li, Mr. Ng Tang, Ms. Chung Kwo Ling, Mr. Sun Yeung Yeung and Mr. Lee Yuen Kwong.

Summary of duties and works of the Remuneration Committee is set out in the "Corporate Governance Report" in this annual report.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.



Directors' Report

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 41 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ma Jun Li
CHAIRMAN
28th April, 2006