Chairman's Statement

It is my pleasure to present to the shareholders the annual report of E-LIFE International Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2001.

Results

The Group recorded a turnover of approximately HK$138 million, representing a decrease of approximately 27% as compared to last year. The drop in turnover was due to the slowdown of the economy of the United States and worldwide, which affected the Group's freight forwarding business. Net loss for the year after other operating expenses of HK$16 million was HK$20,782,000, as compared to the net loss of the previous year of HK$86,006,000.

Loss per share for the year was HK2.2 cents, as compared to loss per share of HK14.5 cents last year.

Dividend

The Board of Directors has resolved not to recommend the payment of any dividend for the year ended 31 March 2001.

Business Review

During the year under review, the Group continuously focused on freight forwarding business while keeping on the development of the genetic medicine business. Through the senior management's continuous effort in improving the financial position of the Group, the Group has repaid, in October 2000, all the loans carried forward from previous years including the remaining mortgage loan. Accordingly, no material loan or indebtedness is due by the Group at the end of this financial year.

Operational and Financial Review

The economic growth of Hong Kong has gradually slowed down in the second half of year 2000 with a depression in overall consumption spending and the slowdown of the US economy affected the Group's freight forwarding business deeply. These two reasons together provided a negative impact on the import and export trade of Hong Kong which further affected the sea and land transportation trade industry. Thus, the results and efficiency of freight forwarding business was not performing well under the difficult market conditions in the current year. The turnover of international air and sea freight forwarding decreased to HK$106,155,000, representing a decrease of 34%. The general sales of international cargo space were encouraging with a 17% growth in turnover in the current year. However, this segment business was ceased after the year end upon the termination of the agency agreement.

Apart from the freight forwarding business, the Group's biotechnological genetic business was performing up to the Directors' expectation during the year through it's associate, Nanjing E-Life Gene Technology Company ("Nanjing E-Life"). Nanjing E-Life is still committing itself to the development of gene technology detection based healthcare products and services. The Gene Chip, also known as DNA microarray, is still under development for the year.

During the year, as a result of the increase in capital of Nanjing E-Life, the Group's shareholdings in it were diluted from 61.7% to 51% and a gain on deemed disposal of the interest in Nanjing E-Life of HK$6.2 million was resulted therefrom.

Liquidity and Cashflow Resources

The gearing ratio and the liquidity ratio decreased from 39.2 to 0.003 and 1.54 to 1.02 respectively. The calculation of gearing ratio is based on interest bearing borrowings of HK$104,000 (2000: HK$11,790,000) and the shareholders' equity of HK$34,499,000 (2000: HK$301,000) at the balance sheet date. The calculation of liquidity ratio is based on current assets of HK$29,996,000 (2000: HK$69,322,000) and the current liabilities of HK$29,465,000 (2000: HK$44,975,000) at the balance sheet date. In June 2000, the Convertible Notes in issue amounting to approximately HK$31.8 million were fully converted into shares of the Company. For the year, 31,082,060 Shares, which amounted to approximately HK$4.4 million, were issued pursuant to the exercise of the subscription rights attaching to the Warrants. From April 2000 to June 2001, 8,800,000 Shares, which amounted to approximately HK$1.7 million, were issued pursuant to the exercise of options granted under the Share Option Scheme. In September 2000, 90 million new shares were placed to an independent third party for HK$18.9 million. The exercise of warrants and options during and after the year provided general working capital for the Group. Furthermore, the sale of a property in July 2000 had provided working capital of approximately HK$14 million for the Group to fully repay its mortgage loan. The Group has no outstanding indebtedness as at 31 March 2001 except for a bank overdraft balance of HK$104,000.

Termination of Acquisition

On 18 July 2000, the Company entered into a subscription agreement (the "Agreement") with Genaco Biomedical Products, Inc. ("Genaco") to subscribe for shares of common stock in Genaco. However, the Agreement was terminated on 27 November 2000 as the Directors considered that the development of the project in the biotechnology field would be better enhanced and accelerated by concentrating in the development of Nanjing E-Life.

Employee and Human Resources Policy

The Group had approximately 40 staff at the year end. The Group is well acquainted with the importance of maintaining high calibre and competent employees by implementing a strict recruitment policy accordingly. It offers benefits like share options, professional tuition/training subsidies to staff in order to instill a sense of loyalty to the Company.

Subsequent Events

Change of Principal Place of Business

The Company has consolidated its head office and principal place of business operation to its freight forwarding operation office at 16th Floor, CAC Tower, 165 Hoi Bun Road, Kwun Tong, Kowloon with effect from 18 June 2001.

Capital Reorganization

The Company had proposed to reduce the nominal value of all issued and unissued Shares from HK$0.10 each to HK$0.05 each (the "Capital Reorganisation"), further details of which are included in note 37(a) to the financial statements.

The Capital Reorganisation became effective from 4:30pm on 21 May 2001 and dealing in new Shares commenced on 10:00am on 22 May 2001.

The reduction in the par value of the Shares resulting from the Capital Reorganisation will give the Company greater flexibility in pricing any new issue of its shares.

Placing and Subscription Agreement

On 22 June 2001, the Company and Best Chance Holdings Limited ("Best Chance") entered into a conditional agreement (the "Subscription Agreement") pursuant to which the Company agreed to issue and allot and Best Chance agreed to subscribe for 2,256,000,000 Shares at HK$0.05 per Share (the "Subscription"). On the same date, the Company and KCG Securities Asia Limited (the "Placing Agent") entered into a conditional agreement (the "Placing Agreement") pursuant to which the Company has appointed the Placing Agent to place an aggregate of 744,000,000 Shares to independent investors at HK$0.05 per Share on a fully underwritten basis (the "Placing").

The Subscription Agreement and the Placing Agreement are still subject to the fulfilment or waiver (as the case may be) of a number of conditions, the Subscription Agreement and Placing Agreement have not been completed and therefore the Subscription and Placing may or may not proceed.

Prospects

The Group is actively pursuing growth opportunities through business diversification. It will continue its devotion in freight forwarding business while further develop its biotechnological genetic business by identifying other suitable investment opportunities.

If the Subscription and the Placing are able to complete, the Directors believe that the funds raised will offer a good opportunity to provide the Company with cash for the general working capital purpose and for further development in the existing business of the Group. In view of the expertise of the directors of Best Chance in managing PRC enterprises and their business connections in the PRC, the Directors are of the view that the Subscription by Best Chance will enhance future development of the Group. However, no current plan has been identified by the Group for the application of the said proceeds. Furthermore, the Subscription and the Placing will enable the Company to broaden its shareholders' base and strengthen the financial position of the Group.

With the continuous recovery of Hong Kong economy, the reduction in interest rates in both US and Hong Kong, and coupled with China becoming a member of the WTO in the near future, the Directors believe that the freight forwarding business will be benefited and the export and import trade in both China and Hong Kong are bound to be improved in the following years. Meanwhile, the Group is reviewing its overhead expenses. Drastic actions to trim down the overheads of the Group is being considered to provide a good chance of surviving under the continual difficult economic climate. The Group will continue to further enhancing its existing freight forwarding agency network in China.

Appreciation

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

Pak Chung
Chairman

Hong Kong, 9 August 2001