

Report

of the Auditors

ERNST & YOUNG

To the members

E-LIFE International Limited

(Incorporated in Bermuda with limited liabilities)

We have audited the financial statements on pages 21 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, except that the scope of our work was limited as explained below.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

1. Scope limitation - fundamental uncertainty - going concern of the Group

In forming our opinion, we have considered the adequacy of the disclosures made in note 2(a) to the financial statements which explain the circumstances giving rise to fundamental uncertainties relating to the Group's ability to continue as a going concern. Such disclosures also include details of the Group's current operating loss and liquidity problems and the conditional agreements entered into for the subscription and placing of shares in the Company to raise funds to improve the liquidity and profitability of the Group. The financial statements have been prepared on a going concern basis, the validity of which depends upon continual financial support being provided by the Group's banks, creditors and shareholders and the successful completion of the subscription and placing of shares in the Company. The financial statements do not include any adjustments that would result from the failure to obtain continual financial support from the Group's banks, creditors and shareholders and/or the failure to complete the subscription and placing of shares. As a result of the condition of the Group's accounting records and the inherent uncertainty in relation to (i) the financial support being obtained from the Group's banks, suppliers and shareholders; and (ii) the successful completion of the subscription and placing of shares, we are unable to determine whether the directors' assessment of the appropriateness of the adoption of the going concern basis in the preparation of the financial statements is correct. Accordingly, we disclaim our opinion on account of this scope limitation alone, notwithstanding the matters noted below.

Report of the Auditors *(continued)*

Basis of opinion *(continued)*

2. Scope limitation - incomplete books and records of certain overseas subsidiaries

As further explained in note 2(b) to the financial statements, a number of the Group's overseas subsidiaries had incomplete books and records for the year. We have not been provided with adequate audit evidence to satisfy ourselves as to the nature, completeness, appropriateness, classification and disclosures in respect of the transactions undertaken by these overseas subsidiaries during the year ended 31 March 2001 and the related balances as at 31 March 2001, as included in the consolidated financial statements. In particular, we have been unable to perform any satisfactory audit procedures to substantiate the transactions entered into by these overseas subsidiaries during the year.

Any adjustments that might have been found to be necessary in respect of the matters set out above would have a consequential impact on the Group's net loss and cash flows for the year ended 31 March 2001 and the Group's net assets position as at 31 March 2001, and on the classification of such items and their related disclosures in the financial statements.

Furthermore, the underlying books and records of two of these overseas subsidiaries of the Group, Jet Dispatch (Canada) Limited and Jet Dispatch (Midwest) Limited, whose situation is detailed in note 2(b)(i) to the financial statements, have been incomplete since the financial year ended 31 March 2000. Accordingly, we qualified our audit opinion on the audited financial statements of the Group for the year ended 31 March 2000, dated 21 September 2000, on account of this limitation of scope.

Any adjustments that might have been found to be necessary in respect of Jet Dispatch (Canada) Limited and Jet Dispatch (Midwest) Limited might also have a consequential impact on the Group's net loss and cash flows for the year ended 31 March 2000 and the Group's net assets position as at 31 March 2000, and on the classification of such items and their related disclosures for that year and at that date. Any adjustments that might have been found to be necessary to the Group's opening balances as at 1 April 2000 and/or the net loss reported for the year ended 31 March 2000 would have a consequential impact on the Group's net loss and cash flows for the year ended 31 March 2001 and its net assets position as at 31 March 2001.

Report of the Auditors *(continued)*

Basis of opinion *(continued)*

3. Scope limitation - carrying value of a long term investment recorded in an associate

南京益來基因醫學有限公司("E-Life Gene"), an associate of the Group as at 31 March 2001, acquired a 21.9% interest in 南京賽爾金生物醫學有限公司("Nanjing Cellgene") during the year for a consideration of RMB4,400,000 (approximately HK\$4,112,000). The investment in Nanjing Cellgene was accounted for as a long term investment and was carried at cost of RMB4,400,000 (approximately HK\$4,112,000) in the financial statements of E-Life Gene as at 31 March 2001. We were not provided with adequate information from the directors of the Company and of E-Life Gene concerning the carrying value of this investment in the financial statements of E-Life Gene as at 31 March 2001. Any adjustments that might have been found to be necessary would have a consequential impact on the Group's share of losses of the associate, and accordingly on the Group's net loss from ordinary activities attributable to shareholders for the year, and on the Group's interest in the associate as at 31 March 2001.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements, we believe that our audit provides a reasonable basis for our opinion.

Disclaimer of opinion

Because of the significance of each of (i) the fundamental uncertainty relating to the going concern basis detailed in section 1 in the basis of opinion section of this report above; and (ii) the possible effects of the limitations of scope in respect of the evidence made available to us as set out in sections 2 and 3 in the basis of opinion section of this report above, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2001 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report:

- (i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- (ii) proper books of accounts have not been kept.

Ernst & Young

Certified Public Accountants

Hong Kong
9 August 2001