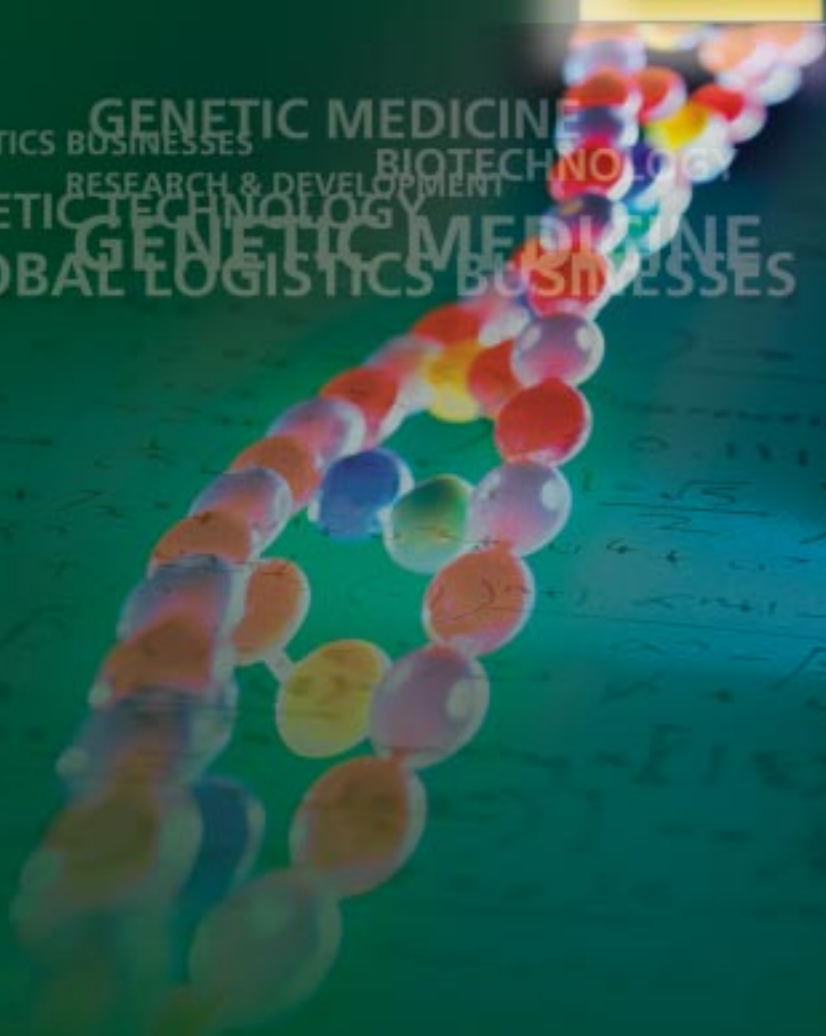


E-LIFE International Limited

Incorporated in Bermuda with limited liability

E

GENETIC MEDICINE
GLOBAL LOGISTICS BUSINESSES
RESEARCH & DEVELOPMENT
MEDICAL GENETIC TECHNOLOGY
BIOTECHNOLOGY
GENETIC MEDICINE
GLOBAL LOGISTICS BUSINESSES



Corporate Information

Board of Directors

Executive Directors

Wang Jian Hua (*Chairman*)

Ng Tang

Bao Wen Bin

Pak Chung

Non-Executive Director

Sun Ching Wai

Independent Non-Executive Directors

Heng Kwo Seng

Chung Kwo Ling

Company Secretary

Yeung Chak Sang

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business in Hong Kong

16th Floor CAC Tower

165 Hoi Bun Road

Kwun Tong

Kowloon

Hong Kong

3412-13 Convention Plaza Office Tower

1 Harbour Road

Wanchai

Hong Kong

(with effect from January 2002)

Auditors

Ernst & Young

Certified Public Accountants

15th Floor

Hutchison House

10 Harcourt Road

Hong Kong

Principal Share Registrars and Transfer Office

Butterfield Corporate Services Limited

Rosebank Centre

14 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tengis Limited

4th Floor

Hutchison House

10 Harcourt Road

Central

Hong Kong

Interim Results

The board of directors of E-LIFE International Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2001 together with the comparative figures for the corresponding period in last year are as follows:

Condensed Consolidated Profit and Loss Account

	Notes	Six months ended	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER			
Continuing operations		38,614	66,928
Discontinued operations	3	—	18,487
		38,614	85,415
Cost of services provided		(34,332)	(71,286)
Gross profit		4,282	14,129
Other revenue		—	3,153
Administrative expenses		(15,144)	(20,549)
Other operating expenses		(3,385)	(1,263)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES			
Continuing operations		(14,247)	(6,563)
Discontinued operations		—	2,033
		(14,247)	(4,530)
Finance costs	4	—	(419)
Share of profits less losses of:			
Jointly controlled entity		—	7
Associates		(134)	—
LOSS BEFORE TAX		(14,381)	(4,942)
Tax	6	(22)	(746)
LOSS BEFORE MINORITY INTERESTS		(14,403)	(5,688)
Minority interests		(368)	(154)
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(14,771)	(5,842)
LOSS PER SHARE			
Basic	7	1.44 cents	0.69 cents
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

		30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		3,603	3,917
Investment property		1,200	1,200
Interest in a jointly controlled entity	9	—	1,494
Interest in an associate		27,038	27,201
Long term investments	10	—	477
		31,841	34,289
CURRENT ASSETS			
Cash and bank balances		4,766	5,191
Fixed deposits, pledged		989	4,429
Accounts receivable	11	12,559	17,021
Prepayments, deposits and other receivables		4,694	3,355
		23,008	29,996
CURRENT LIABILITIES			
Bank overdrafts		—	104
Accounts payable	12	13,995	18,040
Other payables and accrued liabilities		17,131	9,519
Tax payable		1,586	1,802
		32,712	29,465
NET CURRENT (LIABILITIES)/ASSETS		(9,704)	531
TOTAL ASSETS		22,137	34,820
Minority interests		689	321
		21,448	34,499
CAPITAL AND RESERVES			
Issued capital	13	51,619	101,937
Reserves	14	(30,171)	(67,438)
		21,448	34,499

Condensed Consolidated Statement of Recognised Gains and Losses

	Six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of foreign entities	<u>(152)</u>	<u>(168)</u>
Net losses not recognised in the profit and loss account	<u>(152)</u>	(168)
Net loss attributable to shareholders	<u>(14,771)</u>	<u>(5,842)</u>
Total recognised losses	<u>(14,923)</u>	<u>(6,010)</u>

Condensed Consolidated Cash Flow Statement

	Six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(5,362)	(10,395)
NET CASH INFLOW/(OUTFLOW) FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE	78	(162)
PROFITS TAXES PAID	(238)	(636)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	—	(3,358)
NET CASH OUTFLOW BEFORE FINANCING	(5,522)	(14,551)
NET CASH INFLOW FROM FINANCING	5,312	47,180
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(210)	32,629
Cash and cash equivalents at beginning of period	5,087	9,935
Effect of foreign exchange rate changes	(111)	(26)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>4,766</u>	<u>42,538</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,755	52,100
Less: Fixed deposits pledged to banks	(989)	(1,200)
	4,766	50,900
Bank overdrafts	—	(8,362)
	<u>4,766</u>	<u>42,538</u>

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 September 2001

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The financial statements of the Group have been prepared on a going concern basis notwithstanding the net current liabilities as at 30 September 2001 as further explained below. The Company, on 22 June 2001, entered into a conditional subscription agreement (the "Subscription Agreement") and a conditional new placing agreement (the "New Placing Agreement") with Best Chance Holdings Limited ("Best Chance") and Hantec Capital Asia Limited (the "Placing Agent"), respectively, to provide financial support, immediate liquidity, cash flows, profitability to the Group.

The Subscription Agreement and the New Placing Agreement were completed on 5 November 2001 in accordance with their terms. The proceeds before expenses raised from the subscription and placing of shares were HK\$112.8 million and HK\$37.2 million, respectively, which are used as the Group's general working capital.

The condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practices 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those adopted in the Group's financial statements for the year ended 31 March 2001.

2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and (contribution)/absorption to loss/(profit) from operating activities by principal activity and by geographical area for the six months ended 30 September 2001 is as follows:

	Six months ended 30 September 2001		Six months ended 30 September 2000	
	Turnover HK\$'000	(Contribution)/ absorption to loss/(profit) from operating activities HK\$'000	Turnover HK\$'000	(Contribution)/ absorption to loss/(profit) from operating activities HK\$'000
By activity:				
International air and sea freight forwarding (including the provision of related global logistics services)	38,614	11,799	66,928	1,550
General sales of international air cargo space (discontinued on 1 April 2001)	—	—	18,487	(2,033)
	<u>38,614</u>	<u>11,799</u>	<u>85,415</u>	<u>(483)</u>
Development of biotechnological genetic products	—	2,448	—	5,013
	<u>—</u>	<u>2,448</u>	<u>—</u>	<u>5,013</u>
	<u>38,614</u>	<u>14,247</u>	<u>85,415</u>	<u>4,530</u>
By geographical area:				
North and South America	3,780	1,056	46,892	1,665
Asia and Australia	26,321	10,920	31,582	2,391
Europe and Africa	8,513	2,271	6,941	474
	<u>38,614</u>	<u>14,247</u>	<u>85,415</u>	<u>4,530</u>

3. DISCONTINUED OPERATIONS

Superjet International Limited ("Superjet"), a wholly owned subsidiary of the Group, was appointed by an airline company to act as its sole general sales agent in certain regions for the sales of international air cargo space. On 1 April 2001, the general sales agency agreement was terminated and not renewed thereafter. As a result, the Group ceased to engage in the business of general sales of international air cargo space from that date. Since no material assets or staff were employed in running this business segment, no material loss was incurred by the Group upon its discontinuance.

4. FINANCE COSTS

During the period, interest of HK\$319 (2000: HK\$419,000) was charged to the consolidated profit and loss account in respect of the Group's bank overdrafts.

5. DEPRECIATION

During the period, depreciation of HK\$301,529 (2000: HK\$458,349) was charged to the consolidated profit and loss account in respect of the Group's furnitures, fixtures and office equipment.

6. TAX

	Six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current year provision for profits tax:		
The People's Republic of China (the "PRC"):		
Hong Kong	—	400
Elsewhere	26	17
Overseas	1	318
	27	735
Share of tax attributable to:		
Jointly controlled entity	(5)	11
Tax charge for the period	22	746

No provision for Hong Kong profits tax has been made during the period as there were available tax losses carried forward to offset the estimated assessable profits arising in Hong Kong. Hong Kong profits tax was provided for at the rate of 16% on the estimated assessable profits which were earned in or arising from Hong Kong in the prior period.

Tax on profits assessable elsewhere has been provided at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$14,771,000 (2000: HK\$5,842,000) and the weighted average of 1,025,992,600 (2000: 849,029,787) shares in issue during the period.

Diluted loss per share for the six months ended 30 September 2001 and 2000 has not been shown as the share warrants and share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

8. DIVIDEND

The Board of Directors has resolved not to recommend the payment of any dividend for the six months ended 30 September 2001 (2000: Nil).

9. INTEREST IN A JOINTLY CONTROLLED ENTITY

	30 September	31 March
	2001	2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Share of net assets	1,360	1,494
Less: Provisions for diminution in value	(1,360)	—
	—	1,494

10. LONG TERM INVESTMENTS

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Unlisted investments at cost	2,388	2,700
Less: Provisions for diminution in values	(2,388)	(2,223)
	<u>—</u>	<u>477</u>

11. ACCOUNTS RECEIVABLE

Included in accounts receivable were trading balances amounting to HK\$402,419 (31 March 2001: HK\$1,716,000) due from a jointly controlled entity, which are unsecured, interest-free and repayable within normal trading terms.

The ageing analysis of accounts receivable at the balance sheet date is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
0-30 days	2,182	4,469
31-60 days	858	3,082
61-90 days	629	619
Over 90 days*	8,890	8,851
Total	<u>12,559</u>	<u>17,021</u>

The Group allows an average credit period of 30 days to 60 days to its trade customers.

* Included in the accounts receivable balance aged over 90 days was an amount of HK\$8,342,000 (31 March 2001: HK\$8,342,000) attributable to Jet Dispatch (USA) Corporation ("JD(USA)"); a 70% owned subsidiary of the Company.

12. ACCOUNTS PAYABLE

Included in accounts payable were trading balances of HK\$778,000 (31 March 2001: HK\$2,145,000) due to a jointly controlled entity, which are unsecured, interest-free and repayable with normal trading terms.

The ageing analysis of accounts payable at the balance sheet date is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
0-30 days	2,654	3,942
31-60 days	1,526	1,664
61-90 days	1,829	1,160
Over 90 days*	7,986	11,274
Total	<u>13,995</u>	<u>18,040</u>

* Included in the accounts payable balance aged over 90 days was an amount of HK\$4,928,000 (31 March 2001: HK\$4,928,000) attributable to JD (USA).

13. SHARE CAPITAL

The movement of the Company's ordinary share capital during the period is summarised as follows:

- (1) By virtue of an ordinary resolution passed at the Company's special general meeting held on 21 May 2001:
- (i) the issued share capital of the Company was reduced from an amount of HK\$101,937,566 to HK\$50,968,783 (the "Reduction of Capital") by the cancellation of HK\$0.05 paid up capital on each issued share with an original nominal value of HK\$0.10. The shareholders of the Company further approved that the credit resulting from the Reduction of Capital of HK\$50,968,783 be applied to eliminate the amount of accumulated losses of the Company; and
- (ii) all of the authorised but unissued share capital of the Company was cancelled and subsequently increased to the original authorised share capital of HK\$150,000,000 by the creation of 1,980,624,340 shares of HK\$0.05 each in issue upon completion of the Reduction of Capital.
- (2) 13,000,000 shares options were exercised by staff after the Reduction of Capital at an exercise price of HK\$0.144 each resulting in the issue of 13,000,000 ordinary shares of HK\$0.05 each.

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.05 each (31 March 2001: 1,500,000,000 ordinary shares of HK\$0.10 each)	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
1,032,375,660 ordinary shares of HK\$0.05 each (31 March 2001: 1,019,375,660 ordinary shares of HK\$0.10 each)	<u>51,619</u>	<u>101,937</u>
	Carrying amount HK\$'000	Number of shares issued
Summary of transactions:		
As 1 April 2001	101,937	1,019,375,660
Share capital cancelled	(50,968)	—
Share options exercised	<u>650</u>	<u>13,000,000</u>
At 30 September 2001	<u>51,619</u>	<u>1,032,375,660</u>

At the balance sheet date, the Company had outstanding warrants exercisable at HK\$0.14 per share, with a total subscription value of HK\$12,431,051. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 88,793,220 new shares.

14. CONDENSED MOVEMENT IN RESERVES

	HK\$'000
At 1 April 2001	(67,438)
During the period:	
Accumulated losses eliminated to credit resulting from Reduction of Capital (Note 13)	50,968
Premium on issue of shares	1,222
Exchange difference arising from consolidation	(152)
Loss for the period	<u>(14,771)</u>
At 30 September 2001	<u>(30,171)</u>

15. RELATED PARTY TRANSACTIONS

Set out below are the material transactions with related parties entered into by the Group during the period.

	Notes	Six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Freight income from a jointly controlled entity	(i)	891	68
Freight expenses paid to a jointly controlled entity	(i)	75	2
Consultancy fees paid to a former related company	(ii)	—	300
		<u> </u>	<u> </u>

Notes:

- (i) In the opinion of the directors, the freight income and expenses with respect to the jointly controlled entity were made under similar terms offered to other independent customers or suppliers of the Group.
- (ii) The consultancy fees in the six months ended 30 September 2000 were paid in respect of advisory services provided to the Company on corporate finance matters, to a related company of which certain former directors of the Company were the beneficial shareholders. These directors had already resigned prior to the current period.

16. COMPARATIVE AMOUNTS

Due to the discontinuance of a business segment, certain comparative figures have been reclassified to conform with the current period's presentation.

17. HIGHLIGHT OF AUDITORS' QUALIFIED OPINION IN THE LAST ANNUAL REPORT

As explained in the last Annual Report of the Company for the year ended 31 March 2001, the auditors had formed a disclaimer of opinion on the following matters which may have consequential effect on the net asset value of the Group at 30 September 2001 and the loss for the six months ended 30 September 2001.

- (i) Scope limitation — incomplete books and records of certain overseas subsidiaries

A number of the Group's overseas subsidiaries had incomplete books and records for the year ended 31 March 2001. The auditors' had not been provided with adequate audit evidence to satisfy themselves 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.

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.

17. HIGHLIGHT OF AUDITORS' QUALIFIED OPINION IN THE LAST ANNUAL REPORT (Cont'd)

- (ii) 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") 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. The auditors' 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 ended 31 March 2001, and on the Group's interest in the associate as at 31 March 2001.

During the six months ended 30 September 2001, the Group is still unable to obtain the books and records of the above mentioned overseas subsidiaries and is still unable to ascertain the carrying value of its investment in Nanjing Cellgene at 30 September 2001.

Purchase, Sale or Redemption of Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2001.

Directors

During the period, Ting Leung Tak resigned on 19 June 2001. As at 30 September 2001, Pak Chung, Sun Ching Wai and Yeung Chak Sang remained as executive directors; Chan Yee Hoi and Chung Kwo Ling remained as independent non-executive directors.

Directors' Interests in the Share Capital of the Company and its Associated Corporations

The interests of the directors and their associates in the share capital of the Company and its associated corporations at the balance sheet date as recorded in the register required to be kept pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") are set out below.

Name of director	Ordinary shares of the Company Number of shares held and nature of interest			Total
	Personal interest	Corporate interest	Interest in concert	
Pak Chung	11,982,000	355,018,760 (note 1)	61,100,000 (note 2)	428,100,760
Sun Ching Wai	61,100,000	Nil	367,000,760 (note 2)	428,100,760

Notes:

1. Pak Chung had corporate interest in the Company's shares through Fortune Garden Investments Limited, which is wholly and beneficially owned by him.
2. Pak Chung and Sun Ching Wai were acting in concert.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

Substantial Shareholders

Save as disclosed above under the sections headed "Directors' Interests in the Share Capital of the Company and its Associated Corporations" above and the "Post Balance Sheet Events" below, at the balance sheet date, no person had registered as having an interest of 10% or more in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Directors' Rights to Acquire Shares

The Company has a share option scheme approved in a special general meeting held on 5 March 1996, under which the directors may, at their discretion, invite any employee or executive director of the Group to take up options to subscribe for shares in the Company, exercisable during a period of four and a half years commencing on the expiry of six months after the date on which the option is granted.

Particular of share options held by the directors during the period are as follows:

Name of director	Number of options held at 1 April and 30 September 2001	Exercise period	Exercise price per share, subject to adjustment
Pak Chung	2,000,000	17 May 2001 to 17 November 2005	HK\$0.1440
Sun Ching Wai	1,000,000	17 May 2001 to 17 November 2005	HK\$0.1440
Yeung Chak Sang (resigned on 5 November 2001)	500,000	7 September 2000 to 7 March 2005	HK\$0.2500
	3,298,000	11 October 2000 to 11 April 2005	HK\$0.2950
	450,000	17 May 2001 to 17 November 2005	HK\$0.1440
Ting Leung Tak (resigned on 19 June 2001)	300,000	7 September 2000 to 7 March 2005	HK\$0.2500
	200,000	11 October 2000 to 11 April 2005	HK\$0.2950
	350,000	17 May 2001 to 17 November 2005	HK\$0.1440
	<u>8,098,000</u>		

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Audit Committee

The unaudited interim Condensed Consolidated Financial Statements have been reviewed by the Audit Committee which comprises two independent non-executive directors of the Company.

Code of Best Practice

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the Non-executive Directors were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with provisions of the Company's Bye-laws.

Post Balance Sheet Events

COMPLETION OF THE SUBSCRIPTION AGREEMENT AND NEW PLACING AGREEMENT (the "Subscription Completion")

As a capital restructuring exercise on 22 June 2001, the Company entered into the Subscription Agreement with Best Chance. Best Chance is an investment holding company incorporated in the British Virgin Islands and owned by Wang Jian Hua, Ng Tang and Bao Wen Bin, who were appointed directors of the Company on 31 October 2001.

On 16 August 2001, the Company entered into the New Placing Agreement with the Placing Agent. All the placing shares were placed to independent investors who are not connected with any of the directors, chief executive and substantial shareholders of the Company or any of their respective associates (as defined in the Listing Rules).

The Subscription Agreement and the New Placing Agreement were completed on 5 November 2001 in accordance with their terms as contained in the circular of the Company dated 22 August 2001. Best Chance and their concert parties subscribed for, 2,256,000,000 new shares in the Company at HK\$0.05 per share, representing about 55.9% of the enlarged issued share capital of the Company while the Placing Agent placed an aggregate of 744,000,000 new shares in the Company at HK\$0.05 per share to independent investors.

CHANGE IN THE BOARD OF DIRECTORS OF THE COMPANY

On 31 October 2001, Wang Jian Hua, Ng Tang and Bao Wen Bin were appointed to join the Board as executive Directors. Upon the Subscription Completion on 5 November 2001, Yeung Chak Sang resigned from the Board. Pak Chung and Sun Ching Wai remained as Directors and Chan Yee Hoi and Chung Kwo Ling remain as independent non-executive Directors. Chan Yee Hoi resigned subsequently on 19 December 2001 and Heng Kwo Seng was appointed as independent non-executive director on 19 December 2001.

LITIGATION WITH JET DISPATCH (USA) CORPORATION

In pursuant to the Subscription Completion, the complaint filed on 16 April 2001 by JD (USA), a 70% owned subsidiary of the Company, and Richard Tsiu in Los Angeles, California, the United States of America (the "US") against the Company, Jet Air (H.K.) Limited, Jet Air (USA) Limited, Jet Dispatch (H.K.) Limited and Jet Dispatch Limited, all of which are wholly-owned subsidiaries of the Company, in respect of a number of courses of actions regarding declaration, accounting, damages and injunction in respect of certain shares in JD (USA), was resolved by an agreement between the Group and Richard Tsiu on 15 October 2001 (the "Settlement Agreement"). Pursuant to the terms of the Settlement Agreement the Group agreed to dispose of its entire interest, including the intercompany advance made to JD (USA) and Richard Tsiu agreed to release all of the claims whatsoever remaining outstanding against the Group. The Settlement Agreement was executed in November and a dismissal of the lawsuit applied to the jurisdiction authority in the US.

Business Review

During the period under review, the total turnover of international air and sea freight forwarding business amounted to HK\$38.6 million, representing a decrease of 54.8% over last period. Total gross profit contribution was HK\$4.3 million, a decrease of 69.7% over last period. The Group had ceased its operation of general sales of international air cargo space since 1 April 2001, no turnover and contribution was therefore attributed to this segment.

While the Group was principally engaged in international air and sea freight forwarding, its business was adversely affected by the global economies slowdown. The September 11 terrorist attack in the US has further aggravated the weak export and import trading business in Hong Kong. Under such unfavourable situation, the Group has taken a number of cost reduction measures to maintain our competitiveness.

E-Life Gene, a 51% subsidiary of the Group, is still at its development stage. It will take some more time before the products and services developed by E-Life Gene based on genetic technology can be introduced to the market. The Directors will regularly monitor and evaluate the businesses of E-Life Gene to ensure they are in line with the overall development directions of the Group.

Liquidity and Cashflow Resources

The gearing ratio and the liquidity ratio decreased from 0.003 to 0 and 1.02 to 0.70 respectively. The calculation of gearing ratio is based on interest bearing borrowings of HK\$Nil (31 March 2001: HK\$104,000) and the shareholder's equity of HK\$21,448,000 (31 March 2001: HK\$34,499,000) at the balance sheet date. The calculation of liquidity ratio is based on the current assets of HK\$23,008,000 (31 March 2001: HK\$29,996,000) and the current liabilities of HK\$32,712,000 (31 March 2001: HK\$29,465,000) at the balance sheet date. During the six months ended 30 September 2001, 13,000,000 shares, amounting to approximately HK\$1,872,000, were issued pursuant to the exercise of the share options granted under the Shares Option Scheme.

Subsequent to the balance sheet, the Company has completed allotment of 2,256,000,000 new shares to Best Chance and placement of 744,000,000 new shares to independent investors and has raised net proceed of HK\$145 million in November 2001.

The financial position of the Group, after the capital restructuring exercise, is strong. The Board believes that the Group has sufficient financial resources to meet the working capital requirements for its existing operation, and any commitments for future new businesses should the opportunities arise.

Employee and Human Resource Policy

The Group had approximately 16 staff at the period end. Staff costs for the period amounted to HK\$7,290,000 (six months ended 30 September 2000: HK\$9,597,000). 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.

Prospects

The shareholding restructuring of the Group has been completed. A satisfactory amount of funds was raised for development of existing businesses and exploration of new opportunities for the Group.

The Group has also undergone management reform. The new management has brought to the Group new dynamics for growth. They have extensive experience in investing, managing and operating projects in the PRC. Leveraging on the expertise and connections of the new management, the Group will step up its efforts in strengthening various functions of its operation.

China accession to the World Trade Organisation ("WTO") will increase the export and import businesses and cross border logistic activities substantially. The Group in anticipation of the potential increase in business opportunities is actively seeking strategic PRC partnerships to develop its freight forwarding market in the PRC. Given its vast pool of talents and solid experience, the Group stands to benefit from the resultant synergy effect from any such cooperation.

Building on the Group's existing foundation, the new management intends to consolidate its business in a cautious manner. The Company has successfully raised additional funds through the capital restructuring. With its strong financial resources, the Group is well positioned to capture new business opportunities in future with a view to improving its long term profitability. The Group will therefore make every effort to capture new business opportunities on the horizon.

In 2002, under the leadership of the new management, the Group will reengineer its operation further to show a new look from head to toe.

ON BEHALF OF THE BOARD

Wang Jian Hua

Chairman

Hong Kong, 27 December 2001