

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to announce that E-LIFE International Limited successfully invited Best Chance Holdings Limited to join the Group as the major shareholder in November 2001. Upon completion of a new placing exercise and the granting of the whitewash waiver, the share capital of the Company was enlarged substantially to HK\$2 billion. On 22nd July, 2002, the Chinese Name of the Company changed from「益來國際控股有限公司」into「益華教育投資集團有限公司」to reflect the focus of the future main business of the Group.

International freight forwarding business and the related logistics services used to be the primary businesses of the Company and its subsidiaries (the "Group") over the years. As the global economic recession greatly affected the performance of the industry in recent years, the recovery of the industry was picking up slower than expected. The occurrence of the 911 Incident, which dealt a severe blow to the US economic recovery prospects, further aggravated the situation. Under the backdrop of the global economic slowdown and the increasing competition driven by the opening up of the market in Mainland China, the profit margin of the freight-forwarding industry in Hong Kong, which is heavily reliant on re-exports, has contracted tremendously. Based on these facts above, the Directors formulated a series of new business directions after the restructuring. As such, the freight forwarding business was scaled down in line with the renewed policy of stringent cost control and economies of scale.

As the economic development and living standard in China keep growing, people in China have an increasing demand for education. Indeed, the education sector in Mainland China presents a huge market. With the per capita spending on education increases at 20% annually, the industry is the fastest growing industry in the PRC. As such, the Directors have identified the exploration and development of the PRC education sector as the major direction of its future business development. Under the leadership of the new management and the robust financial support of its shareholders, the Group is dedicated to contribute its part towards the education, training and publication sectors of the PRC, and to take advantage of the opportunities from such high-growth areas.

BUSINESS REVIEW

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK\$49 million for the year ended 31st March 2002, representing a decrease of 64% as compared to last year.

The Group's freight forwarding business encountered a severe setback last year. In response, the management made a tremendous effort in revising its future plans for strategic repositioning.

During the year, the Group actively sought development opportunities in other forwarding agency businesses to make up for the loss in turnover following the termination of the general sales agency agreement with the AMERICAN AIRLINES at the end of the previous financial year. However, a

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management dispute between the Group and its then subsidiary JET DISPATCH (USA) CORPORATION ("JD (USA)") developed into a litigation case in April last year. That was exactly the time when the global freight forwarding market was in its peak season, with the US economy starting to recover. The litigation adversely affected not only the cooperation between the Group and JD (USA), but also the relationships with other strategic partners. As a result, the Group suffered from a severe loss of business. The litigation case was subsequently settled after the Group's disposal of its shareholding of JD (USA).

After a series of reform measures, certain branch offices still failed to turn around from their poor results. In order to preserve the capital resources and cut costs, the management decided to reduce the scale of its forwarding agency business in June last year. The relevant headcount in Hong Kong was reduced accordingly last July.

Upon the joint of the new shareholder, the freight forwarding business was restructured. The office situated at the air cargo terminal near the airport was terminated due to its expensive rent. In early December last year, the management restructured those local and overseas subsidiary companies and offices with unsatisfactory management efficiency and duplicate functions. Subsidiary companies and Offices with uncertain prospects were eliminated, resulting in earnings in the accounts.

With the reduction in the weighting of the freight forwarding business in the Group, the scale and headcount were cut down. The head office was moved from Kwun Tong to the Convention Plaza in Wanchai. While the Group is exploring the opportunities to invest in the education sector, the Group also acquired some promoters' shares ("Promoters' Shares") in Beijing Beida Jade Bird Universal Sci-Technology Company Limited ("BBJB") (a company listed on the Growth Enterprise Market (the "GEM Board") of The Stock Exchange of Hong Kong Limited) for a consideration of approximately HK\$38 million as a strategic investment in late March, 2002.

Liquidity and Cashflow Resources

The gearing ratio decreased from 0.003 to 0 and the liquidity ratio increased from 1.02 to 5.11 respectively. The calculation of gearing ratio is based on interest bearing borrowings of HK\$Nil (2001: HK\$104,000) and the shareholders' equity of HK\$162,672,000 (2001: HK\$34,499,000) at the balance sheet date. The calculation of liquidity ratio is based on the current assets of HK\$120,040,000 (2001: HK\$29,996,000) and the current liabilities of HK\$23,479,000 (2001: HK\$ 29,465,000) at the balance sheet date. During the year, 13,000,000 Shares, which amounting to approximately HK\$650,000, were issued pursuant to the exercise of the share options granted under the Share Option Scheme at the exercise price of HK\$0.144 each.

On 5th November, 2001, the Company has completed the allotment of 2,256,000,000 new Shares Agreement to Best Chance Holdings Limited ("Best Chance") and the placement of 744,000,000 new shares to independent investors and raised total net proceed of HK\$145 million.

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Significant Investments Held

During the year, the Group through an acquisition of a wholly owned subsidiary, acquired 30,000,000 Promoters' Shares in BBJB of RMB0.01 each at a consideration of HK\$38,250,000, which is equivalent to 3.11% of total issued share capital (including H shares and Promoters' Shares) of BBJB. BBJB is a joint stock company with limited liability incorporated in the PRC with its H shares listed on the GEM Board on The Stock Exchange of Hong Kong Limited. Promoters' Shares were unlisted share capital issued by BBJB when it was initially listed on the GEM Board in 2000. According to the Company Law in the PRC, Promoters' Shares should not be transferrable within three years from the date of incorporation of BBJB on 29th March, 2000. Upon its maturity date on 28th March, 2003, those Promoters' Shares could be applied for listing on the GEM Board. In the opinion of the directors, this investment will further enhance the strategic relationship between the Group and BBJB. The Group identified its investment in the Promoters' Shares as for long-term strategic purpose. During the year, the directors of the Company reviewed the carrying value of the Promoters' Shares in light of the current market condition and no indication of impairment loss was identified.

Subsequent Events

Placing of 370,000,000 new shares. Subsequent to the year end on 23rd April, 2002, the Company entered into a placing agreement with an institutional investor for the placement of 370,000,000 new ordinary shares of the Company at HK\$0.05 per share. The proceeds of the placement of shares amounting to approximately HK\$18.5 (under Subsequent Events) million, before share issue expenses, will be used for general working capital of the Group.

EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 13 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 shares options to staff in order to instill a place of loyalty to the Company.

PROSPECTS

Education Investment

After President Jiang Zemin has outlined his vision to strengthen the national power of the PRC through the development of science and technology, the education sector stands out as the paramount industry for improving the national economy and the quality of its human resources. Private educational business, including those operated by foreign investors, has also got increasing recognition by the Chinese government as a key component of the education sector. According to official reports of the PRC, education is recognized as the cornerstone of human resource development and a determining factor in economic and social development. Therefore, it is important to develop the education sector reasonably in advance of other sectors. As such, it is essential that the PRC further reforms its

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education regulatory system and actively promote various modes of private educational business. President Jiang Zemin emphasized in the National Education Conference (《全國教育工作委員會》) that the support of an innovative and robust education sector is much needed for the prosperity of a nation. Looking forward, with the issue of the "Law in Promotion of Private Education" (《民辦教育促進法》), it is expected that the private educational business, including those operated by foreign investors in the PRC, will be pushed ahead for a giant step in its development.

According to the "2001 Statistics for the Development of the National Education Sector in China" (《2001年全國教育事業發展統計公報》) issued by the Ministry of Education of the PRC, in 2001 there were 20.2184 million kindergarten pupils, 216.5878 million primary and secondary students (including students in vocational training institutes, technical institutes, adult secondary schools), 11.7505 million university and polytechnic undergraduates and 393,300 postgraduates and postdoctoral fellows. Meanwhile, the number of students seeking various professional training, such as IT programmes and MBA programmes, is also increasing year after year, with the PRC economy going strong and entry of the World Trade Organisation. Such huge number of students offers tremendous business opportunities for the education sector, such as publishing of textbooks and other related books. On the other hand, the growth of spending on education was restrained by market supply. Presently, there is still a considerable proportion of primary and secondary students who cannot receive formal education. As such, the current education sector in the PRC is still a "sellers' market".

The management of the Group has solid experience in the mainland market. The Group will leverage such competitive edges and take advantage of its access to the capital market to actively explore the opportunities in the PRC education sector through cooperation with leading domestic and international educational publishers and training institutes by the way of equity acquisition, capital injection and joint venture. It is believed that the development of the education sector will bring prospective economic and social benefits to the Group and the shareholders as a whole in the near future.

By Order of the Board

Wang Jian Hua

Chairman

Hong Kong, 26th July, 2002