

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 13 and 14 respectively, to the financial statements.

CHANGE OF CHINESE TRANSLATION OF COMPANY'S NAME

Pursuant to a resolution passed at a directors' meeting held on 8th July, 2002, the Chinese translation of the Company's name was changed from 益來國際控股有限公司 to 益華教育投資集團有限公司 with effect from 22nd July, 2002.

RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 18.

No dividend was paid during the year.

INVESTMENT PROPERTY

Details of changes in the investment property of the Group during the year are set out in note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL AND WARRANTS

During the year, the Company issued and allotted 370,000,000 ordinary shares of the Company of HK\$0.05 each at HK\$0.05 per share by means of a placement of shares with an institutional investor. The proceeds from the placement of shares of HK\$18.5 million were used for general working capital of the Group.

As a result of the exercise of warrants, 6,000 shares of HK\$0.05 each were further issued and allotted at HK\$0.14 per share.

Details of these and other changes in the share capital and warrants of the Company during the year are set out in notes 19 and 20 to the financial statements, respectively.

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

During the year, the Group increased its interest in Nanjing E-Life Gene Technology Company from 51% to 89% for a total consideration of HK\$14.3 million.

Following an injection of registered capital in E-Life Gene Technology Company by an independent investor, the Group's interest was diluted from 89% to 47%.

This acquisition constituted a discloseable and connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and was duly approved by independent shareholders of the Company.

Details of the principal subsidiaries and associate of the Company and the Group at 31st March, 2003 are set out in notes 13 and 14 respectively to the financial statements.

DIRECTORS

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

Executive directors:

Mr. Wang Jian Hua	<i>(Chairman)</i>
Mr. Ng Tang, David	<i>(Deputy Chairman)</i>
Mr. Bao Wen Bin	
Mr. Pak Chung	
Mr. Ren Zheng	<i>(appointed on 6th November, 2002)</i>

Non-executive director:

Ms. Sun Ching Wai	<i>(vacated on 29th August, 2002)</i>
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Independent non-executive directors:

Ms. Chung Kwo Ling
Mr. Heng Kwo Seng

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The office of Ms. Sun Ching Wai was vacated pursuant to the clause 89(3) of the Company's Bye-laws with the approval of shareholders in the Annual General Meeting of the Company held on 29th August, 2002.

In accordance with the clauses 86(2) and 87 of the Company's Bye-laws, 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 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 non-executive director and independent non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES

As at 31st March, 2003, the interests of the directors and their associates in the share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Name of directors	Number of ordinary shares held				Date of grant	Number of share options			
	Personal	Family	Corporate	Total		Exercise price	Personal	Family	Total
	interests	interests	interests				interests	interests	
Mr. Wang Jian Hua (Note 1)	-	-	2,256,000,000	2,256,000,000	8.11.2002	0.119	339,900,000	12,000,000	351,900,000
Mr. Ng Tang, David (Note 1)	-	-	(Note 1) 2,256,000,000	2,256,000,000	8.11.2002	0.119	10,000,000	-	10,000,000
Mr. Bao Wen Bin (Note 1)	-	-	(Note 1) 2,256,000,000	2,256,000,000	8.11.2002	0.119	12,000,000	-	12,000,000
Mr. Pak Chung (Note 2)	11,982,000	50,000,000	305,018,760	367,000,760	19.9.2002	0.119	3,000,000	-	3,000,000
					17.11.2000	0.144	2,000,000	-	2,000,000
Mr. Ren Zheng	-	-	-	-	19.9.2002	0.119	6,000,000	-	6,000,000

HK\$

(Note 3)

Notes:

1. Mr. Wang Jian Hua, Mr. Ng Tang, David and Mr. Bao Wen Bin beneficially own 93.7%, 3.8% and 2.5%, respectively, of the issued share capital of Best Chance Holdings Limited, which in turn owns 2,256,000,000 shares of HK\$0.05 each in the Company.
2. Mr. Pak Chung has a corporate interest in the Company's shares through Fortune Garden Investments Limited ("Fortune Garden"), which is wholly and beneficially owned by him. In addition, 50,000,000 shares were held by Mr. Pak Chung's wife, Ms. Sun Li, and Mr. Pak Chung is therefore deemed to have an interest in these shares.
3. 12,000,000 share options with an exercise price of HK\$0.119 per option were held by Mr. Wang Jian Hua's wife, Ms. Ma Jun Li, and Mr. Wang Jian Hua is therefore deemed to have an interest in these options.

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 March, 2003, none of the directors, nor their associates, had any interests in any securities of the Company or any of its associated corporations.

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.

SHARE OPTIONS

The Company has two share option schemes which were adopted on 5th March, 1996 (the "1996 Scheme") and 18th March, 2002 (the "2002 Scheme") and the 1996 Scheme was terminated on 18th March, 2002.

Particulars of the Company's share option schemes are set out in note 21 to the financial statements.

The following table discloses movements in the share options which have been granted to certain directors under the share option schemes of the Company during the year:

(1) 1996 Scheme

Name of director/ former director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 1.4.2002	Granted during the year	Exercised during the year	Surrendered/	
							lapsed during the year	Outstanding at 31.3.2003
Mr. Pak Chung	17.11.2000	17.5.2001 to 17.11.2005	0.144	2,000,000	-	-	-	2,000,000
Ms. Sun Ching Wai (Note)	17.11.2000	17.5.2001 to 17.11.2005	0.144	1,000,000	-	-	(1,000,000)	-
				<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>2,000,000</u>

Note: The office of Ms. Sun Ching Wai was vacated on 29th August, 2002.

At the date of this report, the number of shares in respect of which options could be exercisable under the 1996 Scheme was 6,648,000 representing approximately 0.15% of the shares of the Company in issue at the date.

(2) 2002 Scheme

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 1.4.2002	Granted during the year	Exercised during the year	Surrendered/	
							lapsed during the year	Outstanding at 31.3.2003
Mr. Wang Jian Hua (Notes a & b)	8.11.2002	8.11.2002 to 8.11.2005	0.119	-	351,900,000	-	-	351,900,000
Mr. Ng Tang, David (Note b)	8.11.2002	8.11.2002 to 8.11.2005	0.119	-	10,000,000	-	-	10,000,000
Mr. Bao Wen Bin (Note b)	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	-	-	6,000,000
				<u>-</u>	<u>382,900,000</u>	<u>-</u>	<u>-</u>	<u>382,900,000</u>

Note:

- (a) Of the share options granted to Mr. Wang Jian Hua during the year, 12,000,000 share options were held by Mr. Wang Jian Hua's wife, Ms. Ma Jun Li, and Mr. Wang Jian Hua is therefore deemed to have an interest in those options.

(b) These share options, which were proposed to grant on 19th September, 2002, were approved by the shareholders of the Company at the special general meeting of the Company held on 8th November, 2002.

At the date of this report, the number of shares in respect of which options could be exercisable under the 2002 Scheme was 432,700,000 representing approximately 9.83% of the shares of the Company in issue at the date.

The closing price of the Company's shares immediately before 19th September, 2002, the date of grant of options during the year, was HK\$0.119.

The fair value of the options granted in the current year measured at the date of grant on 19th September, 2002 was approximately HK\$20,081,000. The following significant assumptions were used to derive the fair values, using the Black Scholes option pricing model:

Expected life of the options granted	3 years
Expected volatility based on historical volatility	55%
Expected annual dividend yield	Nil
Hong Kong Exchange Fund Notes interest rate at the date the options were granted	2.54%

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of directors, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

Save as 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, and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 29 to the financial statements, there were no other contract 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 year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interest as disclosed above in respect of certain directors and their associates, the register required to be maintained under Section 16(1) of the SDI ordinance shows that the Company had not been notified of the existence of any interest representing 10% or more of the issued share capital of the Company as at 31st March, 2003.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were less than 30% of the total sales (2002: less than 30%). The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases (2002: less than 30%).

CORPORATE GOVERNANCE

Save that the independent non-executive directors and non-executive director of the Company are not appointed for specific terms as they are subject to retirement by rotation at annual general meeting in accordance with the Company's Bye laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year.

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.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 31 to the financial statements.

AUDITORS

During the year ended 31st March, 2002, Messrs. Ernst and Young, who acted as auditors of the Company for the year ended 31st March, 2001, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company to fill the casual vacancy.

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

On behalf of the Board

WANG JIAN HUA

CHAIRMAN

28th July, 2003

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