

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK\$5.2 million for the six months ended 30th September, 2002, representing a decrease of 86.7% as compared to the corresponding period last year. Total gross loss was HK\$1.1 million, a decrease of 84.0% over last corresponding period.

The Group's freight forwarding business continuous encountering a very severe setback during the period, while the international freight forwarding business is still in a very thin margin competition. The export and import trading business in Hong Kong is still weak. The management started to make a tremendous effort in revising its future plans for strategic repositioning. Meanwhile, the Group is highly selective in its customers, it is actively seeking business opportunity with strategy partner in freight forwarding business in China.

Securities Investment

Deficit on investment securities amounted to 8.0 million (2001: Nil) of which the unrealised holding loss approximately HK\$7.8 million (2001: Nil).

Nanjing E-Life Gene Technology Company ("E-Life Gene"), a 51% subsidiary of the Group, continues its devotion in the research and development in genetic technology. It will take further time before the products can be introduced into the market. While the management intends to see a faster pace on the outcome of the investment, further management control and measures in E-Life Gene were implemented.

LIQUIDITY AND CASHFLOW RESOURCES

The gearing ratio maintained as 0 and the liquidity ratio increase from 5.11 to 16.80. The calculation of gearing ratio is based on interest bearing borrowings of Nil (31st March, 2002: Nil) and the shareholders' equity of HK\$164,073,000 (31st March, 2002: HK\$162,672,000) at the balance sheet date. The calculation of liquidity ratio is based on the current assets of HK\$102,764,000 (31st March, 2002: HK\$120,040,000) and the current liabilities of HK\$6,116,000 (31st March, 2002: HK\$23,479,000) at the balance sheet date.

FUND RAISED

On 23rd April, 2002, the Company entered into a placing agreement with an institutional investor for a placement of 370,000,000 new ordinary shares of the Company at HK\$0.05 per share. The proceeds of the placement of the shares amounting to approximately HK\$18.5 million, before share issue expenses, was used for general working capital of the Group.

PLEDGE OF ASSETS

At the balance sheet date, the Group's bank deposits of HK\$162,000 (31st March, 2002: HK\$447,000) were pledged to banks to secure general banking facilities granted to the Group.

CHANGE IN DIRECTORSHIP

On 29th August, 2002, the office of a non-executive director of the Company Miss Sun Ching Wai as was vacated pursuant to Bye-Law 89(3) of the Company with the approval of shareholders in the Annual General Meeting of the Company held on 29th August, 2002.

On 6th November, 2002, Mr. Ren Zheng was appointed as an executive director of the Company.

EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 25 staff at the period end. Staff cost amounted to HK\$2,867,000 (2001: HK\$7,290,000). 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 shares options to staff in order to instill a place of loyalty to the Company.

SHARE OPTIONS

In pursuant to the Share Option Scheme adopted on 18th March, 2002. On 19th September, 2002, 55,800,000 and 3,000,000 share options under the Share Option Scheme adopted on 18th March, 2002 to subscribe ordinary shares in the Company at exercise price of HK\$0.119 each were granted to various staff and director of the Company respectively.

On 8th November, 2002, 373,900,000 shares options to subscribe ordinary shares in the Company at exercise price of HK\$0.119 each were approved in the special shareholder's meeting in pursuant to the Share Option Scheme adopted on 18th March, 2002.

PROSPECT

Education Investment

On 17th April, 2002, the Group entered into a non-legally binding memorandum of understanding with an independent third party (the "Third Party") for the possibility of making investments in education. The potential investment involves the possibility of having the education materials licensed by the Third Party to E-LIFE and the development of commercial teaching centres.

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.

On 23rd October, 2002, the Company entered into a letter of intent, which is not legally binding, with Higher Education Press (a state-owned enterprise incorporated in the People's Republic of China (the "PRC") since 1954), setting out the parties' intention to form a joint venture company in Beijing. The joint venture will principally engage in the business of publishing and distribution of academic and tutorial books and magazines in the PRC. Under the letter of intent, the Company will invest RMB73.5 million to obtain 49% equity interest in the joint venture company.

Biomedical Investment

While the directors consider that the gene technology products are highly prosperous, on 27th November, 2002, Starstruck Investment Limited (“Starstruck”), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Changchai Co., Limited (“Changchai”), a joint stock limited company established in the PRC, which “A” shares are listed on the Shenzhen Stock Exchange, in relation to the acquisition of 33% equity interest in E-Life Gene, which is the entire interest of Changchai in E-Life Gene, at a consideration of HK\$14,340,000. Upon completion, an aggregate of 84% of the equity interest of E-Life Gene will be beneficially owned by the Company, as to 33% of which will be beneficially owned by Starstruck and 51% of which will be beneficially owned by Starglow International Limited, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company, which holds 100% interest in it through its wholly-owned subsidiary, Starstruck.

INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of any interim dividend for the six months ended 30th September, 2002 (2001: Nil)

CONTINGENT LIABILITIES

At the balance sheet date, the Group does not have any contingent liabilities (31st March, 2002: Nil)

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchase, sold or redeemed any of the Company’s listed securities during the six months ended 30th September, 2002.

DIRECTORS’ INTERESTS IN SHARES

As at 30th September, 2002, 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 under section 29 of the SDI Ordinance or as otherwise notified to the Company and 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 director	Number of ordinary shares of HK\$0.05 in the Company				Total
	Personal interests	Family interests	Corporate interests	Interests in concert	
Wang Jian Hua (Note 1)	–	–	2,256,000,000	–	2,256,000,000
Ng Tang, David (Note 1)	–	–	(Note 1)	–	2,256,000,000
Bao Wen Bin (Note 1)	–	–	(Note 1)	–	2,256,000,000
Pak Chung (Notes 2 and 3)	11,982,000	50,000,000	305,018,760	61,100,000	428,100,760