

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March 2004, turnover of the Group surged to HK\$71.0 million (2003: HK\$28.4 million). The overall gross profit increased to around HK\$12.2 million from last year (2003: HK\$12.9 million loss).

On the other hand, loss from operation for the year after operating expenses of HK\$16.9 million (2003: HK\$23.4 million) was decreased to 3.1 million (2003 HK\$55.4 million). The Group's net loss for the year amounted to HK\$46.8 million which was near to last year's figure. (2003: HK\$46.7 million). This is mainly due to the share of results of an associate of HK\$43.6 million (2003: HK\$5.1 million).

BUSINESS REVIEW

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK\$13.1 million for the year ended 31st March, 2004 (2003: HK\$11.0 million), representing an increase of 19% as compared to the corresponding period last year. Total gross loss was HK\$ 62,000, (2003: HK\$2.3 million loss), a decrease of 97% over last corresponding period.

The Group's freight forwarding business was stabilized after continuous encountering a very severe setback in the previous periods. Though international freight forwarding business is still a very thin margin competition, the deceive action by the management for strategic repositioning sees its effect. Operating loss on freight forwarding business has substantially reduced. Meanwhile, the Group is highly selective in its customers; it is actively seeking business opportunity with strategic partner in freight forwarding business in China.

Bio-medical Business

On 3rd April, 2003, the Group entered into a sale and purchase agreement to acquire the entire issued share capital together with the non-interest bearing shareholders loan of Honest Talents Limited ("Honest Talent"), a company incorporated in the British Virgin Islands with limited liability, at a cash consideration of HK\$42,000,000.

The amount represents the contractual rights to acquire the technology of the recombinant human Stem Cell Factor ("rhSCF") for developing human cord blood related pharmaceutical products. The Group acquired such contractual rights through an acquisition of a wholly owned subsidiary, Honest Talents, during the year. Honest Talents has not commenced its operation up to year ended 31st March, 2004. The rhSCF technology is planned to be commercialised in the People's Republic of China.

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On 29th December, 2003, Starstruck Investments Limited (“Starstruck”) and Starglow International Limited (“Starglow”), both being wholly-owned subsidiaries of the Company, entered into an additional agreement with China Peking University Weming Biotech Group (“Weming”), Jiangsu Hi-Tech Venture Capital Co., Changzhou Global Public Relations Company in relation to the making of additional investment in Nanjing E-Life Gene Technology Company (“Nanjing E-Life”). Starstruck and Weming made additional investment in the aggregate sum of US\$15,772,946 (of which US\$7,886,473 from Starstruck and US\$7,886,473 from Weming) by way of injection of intangible assets in Nanjing E-Life.

Given that Starstruck and Weming have their own strength in the research and development of gene technology products, the injection of the contractual right of rhSCF in Nanjing E-Life will assist Nanjing E-Life in its research, development and marketing of such products whilst the injection of Jiu Wei Rou Gan Ke Li Ji in Nanjing E-Life will provide a potential platform by way of synergy effect in the development of advanced gene technology products, and that at the same time the capital base of Nanjing E-Life will be enlarged. As Jiu Wei Rou Gan Ke Li Ji is a gene medicine, the development of which is not in conflict with the scope of business as stated in the business license of Nanjing E-Life. The Board considers that the additional investment is beneficial to Nanjing E-Life’s future growth.

In accordance with the international valuation standard, the proprietary technology patents recorded devaluation and affecting the Group’s overall performance.

Securities Investment

Contribution on investment securities amounted to HK\$9.4 million (2003: Deficit HK\$15.2 million of which HK\$14.5 million was unrealised holding loss).

LIQUIDITY AND FINANCIAL RESOURCES

The gearing ratio maintained at zero and the current ratio decreased from 10.60 to 2.87. The calculation of gearing ratio is based on interest bearing borrowings of Nil (31st March, 2003: Nil) and the shareholders’ equity of HK\$87,610,000 (31st March, 2003: HK\$134,468,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK\$31,226,000 (31st March, 2003: HK\$72,205,000) and the current liabilities of HK\$10,889,000 (31st March, 2003: HK\$6,811,000) at the balance sheet date.

The acquisition of Honest Talents during the year has attributed to a cash outflow of approximately HK\$40,500,000 on the Group’s cash flows as at year end.

POST BALANCE SHEET EVENTS

The Group announced, in July 2004, its entering into a non legally binding memorandum of understanding (“MOU”) for the acquisition of a controlling interest in a coke processing venture. The proposed acquisition is currently in an advanced stage of negotiation.

To reflect E-LIFE's business nature, the Company has changed its Chinese name to 「益華國際投資集團有限公司」from 「益華教育投資集團有限公司」 in July 2004.

EMPLOYEES AND HUMAN RESOURCES POLICY

The Group had approximately 13 staff at the year end. Staff cost amounted to HK\$5,485,000 (2003: HK\$6,119,000). The Group is well acquainted with the importance of the maintaining high calibre and competent employees by implementing a strict recruitment policy accordingly. It offers benefit like shares options to staff in order to instill a place of loyalty of the Company.

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