

**E-LIFE INTERNATIONAL LTD :  
YOU REAP WHAT YOU SOW**

Investors, stuck in publicly listed E-LIFE International Ltd (Code: 370), should, in TARGET's opinion, be furious with Management because, over the past 5 Financial Years, the Company has gone from earnings of about \$HK31.22 million to 3 straight Years of quite substantial losses.

From 1996 to 2000, the Trading Results of this freight-forwarding company have been a negative \$HK111.96 million.

The Financial Years 1998, 1999 and 2000 have devastated the Company, reducing Shareholders' Funds from \$HK113.71 million to \$HK301,000.

Yet, the Company's core business appears to be intact; the only volume of activity came from freight-forwarding.

But it all resulted in a trading loss.

On a Turnover of about \$HK188.02 million from freight-forwarding, the Company lost about \$HK80.85 million.

Interestingly, the freight-forwarding side of the business of E-LIFE, air and sea, appears to be able to maintain a Gross Profit Margin of about 15.43 percent – which is quite respectable, one might say.

But the Administrative Expenses and the Other Operating Expenses, amounting to about \$HK113.19 million, in aggregate, completely eclipsed the Gross Profit by a wide margin.

Note 6 at Page 39 of the 2000 Annual Report shows the Company's Loss from Operations as follows:

	Financial Year ended March 31	
	2000 (\$HK'000)	1999 (\$HK'000)
<b><u>Depreciation:</u></b>		
Owned Fixed Assets	1,932	2,394
Fixed Assets held under Hire Purchase Contracts	<u>73</u>	<u>372</u>
<b>TOTAL</b>	<b><u>2,005</u></b>	<b><u>2,766</u></b>
Operating Lease Rentals in respect of Land and Buildings	4,923	2,182
Auditors' Remuneration	773	988
Staff Costs:		
Wages and Salaries	20,279	19,450
Pension Contributions	100	382
Less: Forfeited Contributions	<u>(135)</u>	<u>(17)</u>
<b>TOTAL</b>	<b><u>20,244</u></b>	<b><u>19,815</u></b>
Directors' Remuneration		
Fees	Nil	Nil
Salaries, Allowances and Benefits in Kind	3,788	3,094
Pension Scheme Contributions	<u>Nil</u>	<u>35</u>

<b>TOTAL</b>	<b><u>3,788</u></b>	<b><u>3,129</u></b>
Provision for Estimated Non-Recoverability of the Assets of Certain Overseas Subsidiaries	766	Nil
Loss on Disposal of Fixed Assets	2,793	2,098
Loss on Disposal of an Investment Property	4,477	Nil
Loss/(Gain) on Disposal of Marketable Securities	(755)	450
Deficit on Revaluation of Investment Properties	Nil	2,264
Provision for Diminution in Value of Property held for Sale	17,896	Nil
Amortisation of Premium on the Acquisition of an Additional Interest in a Jointly-Controlled Entity	Nil	2,808
Provision against Amounts due from a Former Jointly-Controlled Entity	30,861	Nil
Provision for Other Doubtful Debts	4,834	1,473
Provision for Non-Temporary Diminutions in Values of Long-Term Investments	2,028	Nil
Write-off of Interests in Associates	443	Nil
Gross and Net Rental Income	(961)	(607)
Interest Income	(392)	(110)
Gain on Disposal of Interest in a Jointly-Controlled Entity	(246)	Nil
Exchange Losses, net	91	163

No explanations have been given about any of the above.

One would have thought that Management owed a duty to its minority shareholders to explain the reasons for the massive Provisions, listed in the above table.

It would appear, according to Note 15 at Page 47 of the 2000 Annual Report, that \$HK20 million, being the entire amount due from a jointly controlled entity, has been written off in the last Financial Year.

It would appear, also, from the records of the Company, that the write-off in respect of this entity amounted to not less than \$HK61.33 million over a 2-Year period.

And Management has yet to utter a dicky bird about this cock-up.

To TARGET's knowledge, there has never been an announcement from the Company about the problems with jointly controlled entities and the relatively massive Provisions and Write-Offs that were deemed necessary.

The Auditors of E-LIFE appeared not to be too happy with the state of the books of the Company and were not loath to state:

*'We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and*

*'We were unable to determine whether proper books and records had been kept in respect of the overseas subsidiaries and the jointly controlled entity referred to in notes 2(a) and 2(b), respectively, to the financial statements.'*

The Founder of this Company was Mr Peter Yu Ka Ching, who resigned from office on July 9, 1999.

Mr Peter Yu, TARGET is led to believe, was the person, who, as former Chairman of Jet Air International Group Ltd, as E-LIFE used to be called, was responsible for the establishment of the jointly controlled entities that bombed.

In respect of resignations of former Directors, one could be forgiven from recalling the idiom: *'Rats are the last to leave a sinking ship'*.

According to TOLFIN (TARGET's on-line database), the following resignations of former Directors says it all:

<u>Date</u>	<u>Name of Director</u>
April 8, 1999	Ms Agnes Yuen Shui Chun
April 8, 1999	Mr Chan Pong Ho
July 9, 1999	Mr Peter Yu Kam Ching
March 31, 2000	Mr Henry Chien Hoe Yong
September 15, 2000	Mr Kwok Kwan Hung

As at today's date, there are just 2 Executive Directors, namely:

Mr Pak Chung, Chairman  
Miss Sun Ching Wai (appointed on April 27, 2000)

In regard to the Chairman, he is now the dominant shareholder, holding about 50.18 percent of the Issued and Fully Paid-Up Share Capital of the Company.

### **The Future**

E-LIFE has gone from being a freight-forwarder to being a major investor in Nanjing E-Life Gene Technology Company, an entity, domiciled in the People's Republic of China (PRC).

This 51-percent owned subsidiary is said to have an Issued and Fully Paid-Up Share Capital of \$US6,024,000. (Page 7 of the 2000 Annual Report)

However, Page 44 of the 2000 annual Report of E-LIFE indicates that the Issued Share Capital of this subsidiary is \$US1.62 million, and E-LIFE has a 61.73-percent equity stake in it.

What appears to have happened is that Chairman Pak Chung's ghostwriter, when drafting the Chairman's Statement, forgot to inform the person, responsible for putting together the 2000 Annual Report, that there had been a material change in the Issued Share Capital of Nanjing E-Life Gene Technology.

If this is not the case, one wonders what in the world is going on.

Nanjing E-Life is described as being a pioneer in biotechnology.

Thus far, there has been no return on the investment in this subsidiary.

One hopes that the situation, with regard to Nanjing E-Life, will not turn out to be another situation whereby the Auditors will have to qualify the accounts with questions as to whether or not proper books and accounts were kept in a subsidiary.

Note 13 at Page 43 of the 2000 Annual Report shows that Provisions were felt necessary against amounts of money, due from subsidiaries.

The amount that was stated was \$HK121.39 million.

Which is a lot of money for a Company whose Shareholders' Funds have sunk to \$HK301,000.

### **A Little History**

E-LIFE, originally known as Jet Air International Group Ltd, went public on March 12, 1996 when it Offered 50 million shares at \$HK1 per share, raising \$HK38 million, net of expenses.

The Net Proceeds were to be used as ... [CLICK TO ORDER FULL ARTICLE](#)

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