

## BUSINESS REVIEW AND OUTLOOK

2000 was another difficult year for us as the Group continued to suffer from both the fierce competition in the transport industry and the continuing adverse impact of Asia's financial turmoil.

In the year under review, under the difficult market conditions affecting feeder services in the PRC, mid-stream operations in Hong Kong, lowered ocean freight rates, and increased fuel costs, cost cutting has been a continuous strategy in order to stabilize the momentum of the Group. In line with this strategy, the Group has taken a number of measures. These include closing of unprofitable operations and non-productive offices in the PRC, and disposing of aged feeder vessels, containers, and eliminating other non-productive elements of the container fleet. All these resulted in a substantial saving in labor costs, overheads and in repairs and maintenance. The remaining container fleet has been rented out to generate rental income to the Group.

Taking the year as a whole, the Directors believe that the Group has made a number of successful strategic move in restructuring, financial performance and cost cutting. From this new base of efficiency and lower cost structure, the Management will explore business opportunities. The Group is proactive in aiming for diversification and further expansion into other strategic and potential business development. To ensure long-term benefits to our profitability, the Group will continue to diversify its business such as the sales of airline tickets, provision of travel-related services and the operation of a restaurant and other diversified business.

Against the background of this new direction, along with new business opportunities from China's WTO entry later this year and Asia's gradual recovery from its financial crisis, we remain optimistic that all these factors will enable us to lead the Group to a substantially more efficient and profitable future.

## **FINANCIAL RESOURCES AND LIQUIDITY**

The Group currently funds its operations and capital expenditure through cash from operation, net proceeds from the placement of new shares and unsecured short term loans from third parties.

As at 31 March, 2001, the Group had total assets of HK\$205,086,000 (2000: HK\$378,537,000) which was financed by current liabilities of HK\$38,354,000 (2000: HK\$121,537,000), long term liabilities of HK\$13,931,000 (2000: HK\$25,839,000) and shareholders' equity of HK\$152,801,000 (2000: HK\$231,161,000). The current ratio was approximately 0.32 (2000: 0.52) and the gearing ratio of the Group was 22% (2000: 31%). The ratio has been calculated based on the total borrowing to the total shareholders' equity of the Group.

As at 31 March, 2001, the Group had pledged certain of its property, plant and equipment with an aggregate net book value of HK\$68,000,000 (2000: HK\$147,970,000) and bank deposit of HK\$684,000 (2000: HK\$7,446,000) to secure the credit facilities granted to the Group.

As at 31 March, 2001, the Company has given corporate guarantees to the extent of HK\$35,359,000 (2000: HK\$68,442,000) in respect of credit facilities extended to subsidiaries. The extent of such facilities utilized by the subsidiaries at 31 March, 2001 amounted to approximately HK\$20,445,000 (2000: HK\$38,716,000).

Save as disclosed above, the Group had no other material commitment, including capital commitment.

## **STAFF EMPLOYMENT**

Remuneration packages are generally structured by reference to market terms and individual qualifications. Through the share option scheme established for the senior management and employees, it is intended to integrate their responsibilities, authority and benefits. The Group operates a mandatory provident fund scheme which covers all the employees of the Group.

## **APPRECIATION**

On behalf of the board, I take this opportunity to express my sincere gratitude to all our staff for their dedication and hard work. I would like to thank our shareholders and business associates for their continuous support and confidence in the Group.

**Lam Tak Shing**  
*Chairman*

Hong Kong, 27 July, 2001