



# Oriental Union





Traditionally the performance of the Group's freight and vessel operation are weaker in the second half of the financial year from October to March due to seasonal factors. The seasonality has become more pronounced, as previously reported, and the trend is again proven by the Group's results for the whole year ended 31 March, 2001. The down turn of economies of major markets, increasing number of long haul carriers calling directly to ports in Mainland China and the improving infrastructure which encouraged land transport instead of by sea are all the factors reducing the demand for feeder services and worsened the situation further. Whereas slight improvement of the freight and vessel operation was reported in the first six months, the full year results of the freight and vessel operations have been eroded by deterioration in the second half of the year.



The turnover of the Group's container depot operation increased satisfactorily during the year. The depot operation successfully secured new orders from existing and new customers and enhanced storage capacity via investment in new equipment and storage facilities. Result for the year did not show a corresponding growth due to reductions in profit margins as a result of competition with other smaller container depot in the region and the imposition of sales tax on gross sales receipt by local tax bureau also eroded the profitability of the container depot business.

The performance of Beijing Wemay Technology Development Company Ltd. (北京維美科技開發有限公司), an associate of the Group specialised in development of educational software, was quite disappointed for the year mainly due to keen competition and the overheads incurred for

research, development and marketing more than expected. Since the brushing of bubble related to the high tech venture in last year, the outlook for the associate for the current financial year is hardly optimistic in line with general market sentiments.

Faced with fluctuation in performance in the existing operations, the Group will continue to focus on our core businesses and enhance the Group's performance by means of implementing a restructuring of both internal operations and external operations of the Group and enhance its efficiency by employing information technology and management expertise.

In spite of the short-term fluctuations in our business performance, it is observed that there is long term vision for our Group to explore investment opportunities with a high growth potential in Greater China region in particularly related to in the area of provision of educational services, which has been endorsed as one of the major national-wide support areas under the mission "Strengthen the Nation through Scientific and Educational Advancement" officially laid down by the PRC Central Committee as a strategic development for the PRC in the new century.

2001 is the first year of China's 10th five-year plan, it is believed that continuous developments in Mainland China will offer new business opportunities for the Group. China's long-term economic growth target has been set at a compound annual growth rate of 7-8 per cent for the next decade. With China's imminent entry to WTO and the continued reforms in its key industries, Mainland China is expected not only to offer ample business opportunities for the Group but also to give vote of confidence for the Group to accelerate the its business growth and direction pointing to IT and education driven business in coming years.

The Board of directors of the Company recognises that the Group's fulfilment of its planned target has only been made possible with the dedication of its valued staff and the support of its shareholder. On behalf of the Board, I wish to express my gratitude to them, and I look forward to sharing with them the fruits of the Group's success in the years to come.

**Hon Ming Kong**

*Chairman*

Hong Kong, 27 July 2001