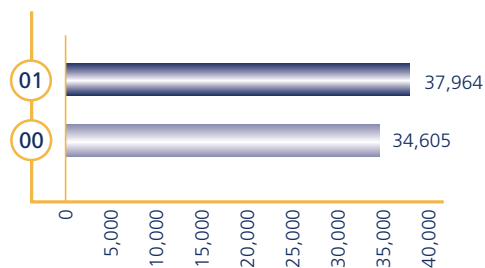




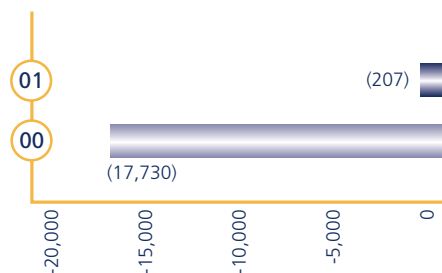
1. Review of Main Business

Freight Business

Turnover (\$000's)



Operation Profit/(Loss) (\$000's)



The turnover of the sea and air freight division for the year ended 31 March, 2001 was HK\$37,965,000 and was over last year HK\$34,605,000 by HK\$3,360,000 or 9.7 per cent. The increase was attribute to the improvement of turnover of air freight in the first half year due to the demand of air freight to United States of America was notably increased. As part of a strategic restructuring and transformation to high tech business, the Group disposed the entire interest in certain subsidiaries engaged in the sea and air freight operations in November, 2000 in order to minimize further loss and risk associated with such operations and concentrate its resources on other profitable areas.

Despite there was a few income generated by the sea and air freight division in the second half of the year 2000/2001, however, the disposal decision was proven correct as evidenced by the loss from air freight was substantially reduced from last year HK\$17,730,000 to only HK\$207,000 on the year under review.



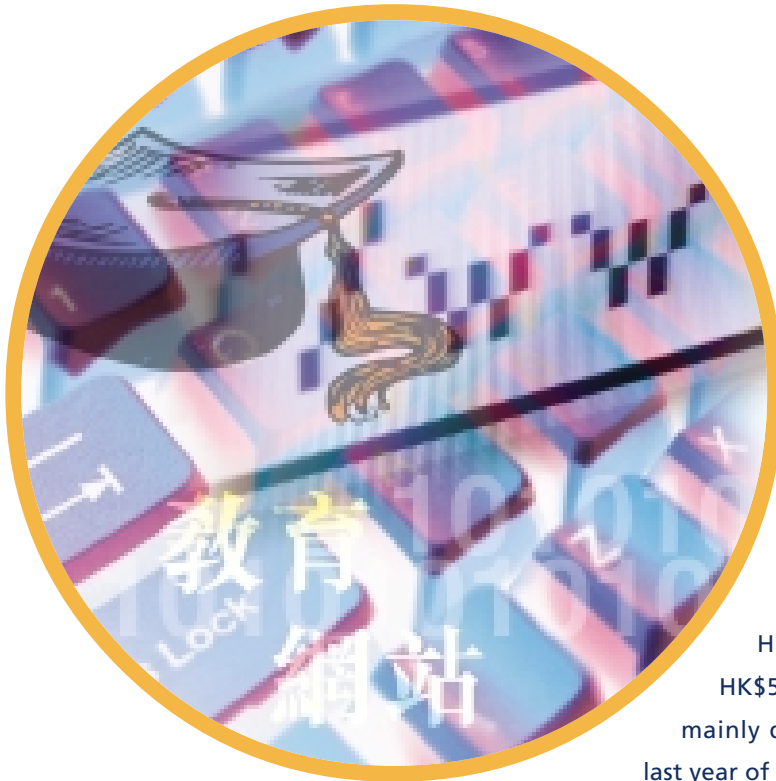
services in the second half year. Further, one of the feeder chartered by the division was seized and finally disposed by a cargo claimant due to a collision happened on 28 June, 2000 which resulted in reducing the fleet capacity by approximately 19%.

The Group's vessel operation result recorded a loss of HK\$4,100,000 versus a profit of HK\$3,563,000 in last year, an adverse change by HK\$7,663,000. The performance set back was due to the relatively higher fixed operation cost caused by keen competition, decrease in fleet size and decline in demand from major customers and as a result HK\$1,620,000 was recorded as a operation loss for the year. Besides, the prepaid rental for a feeder was fully written off due to the feeder by the Court Order which, increased the loss by HK\$1,468,000 and the remaining book balance of a computer shipping and billing system was fully amortized due to being replaced by a new operation system which further enlarged loss by HK\$888,000.

Vessel Operating Common Carrier

During the year under review, the turnover of the vessel operation amounted to HK\$42,263,000 and was over last year HK\$38,777,000 by HK\$3,486,000 or 8.99 per cent. The increase was mainly contributed by the continuous improvement of turnover in the first half year of 2001. However, the turnover was notably declined in the second half of the year as a result of keen competition and less demand of feeder

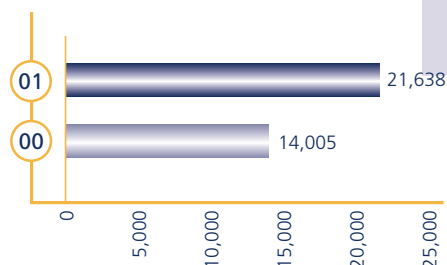
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amounting to HK\$703,000 compared with a loss of HK\$161,000, deteriorated by HK\$542,000. The adverse change was mainly due to cost margin higher than last year of 36.1 per cent by 9.4 per cent and the full provision of HK\$3,740,000 for the balance due from related company disposed in last year.

Container Depot Operation

Turnover (\$'000's)



During the year, the turnover generated by the Container Depot Operation was HK\$21,638,000, exceeding last year HK\$14,005,000 by HK\$7,633,000 or 54.5 per cent. The notable improvement was caused by the strong economic growth in PRC. However, the loss for the year 2001

Trading of Steam Coal

As mentioned in the interim report for the six months ended 30 September, 2001, the management considered downsizing the trading activities. In view of the rapid decline of demand of coal trading to India and Korea and the instability of the market, the management decided to temporarily suspend the trading operation in order to save cost and minimize risk exposure. Accordingly, the turnover of trading of steam coal basically remaining at the record of the first six months of the year of HK\$22,425,000, compared with HK\$68,148,000 recorded in 2000, representing a decrease of HK\$45,723,000 or 67.1 per cent.



Educational Software

Since completion of the acquisition of 50% equity interest of an associate in Beijing on 22 March, 2000, the associate has been at loss making due to the unsatisfactory sales performance and research and development costs and sales overheads incurred more than expected. As the aggressive business strategy of the management of the associate was deviated from that of the prudence policy of the Group, the Group decided to review the financial position and the business prospectus of the associate in order to determine whether the Group should provide further financial support to the associate. Further, a provision of HK\$55,040,000 for the impairment loss recognised in relation to the goodwill arising on acquisition of an associate and the provision of HK\$11,817,000 for impairment in value in the receivable from the associate.

2. Disposal and acquisition of subsidiaries and assets

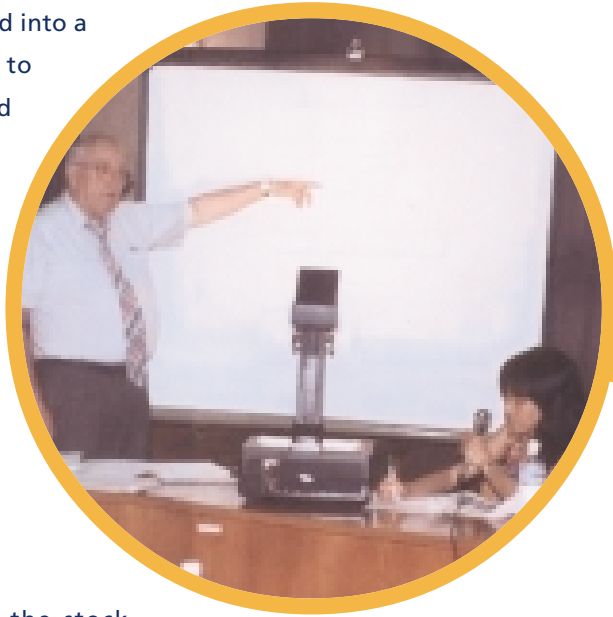
In March 2000, the Group entered into two earnst money agreements between the Excellent Idea Group Limited and APT Satellite Company Ltd. respectively for negotiating for the proposed acquisition of an interest in a satellite telecommunication operation company. The negotiation was terminated in July, 2001.

In September, 2000, the Group disposed a fully owned subsidiary engaged in the business of bulk chartering together with the assignment of inter-company debts for an aggregate consideration of HK\$1.0. The financial impact of the disposal to the Group is minimal.

In November 2000, the Group entered into a sale and purchase agreement to dispose of its entire interest in the issued share capital of four wholly owned subsidiaries together with the assignment of inter-company debts for an aggregate consideration of HK\$6.5 millions. The financial impact of the disposal to the Group is approximately HK\$1,980,000.

In December 2000, the Group entered into a heads of agreement with Warrant Capital Group Ltd. for the acquisition of 10% shares of Health Tech Development Ltd., a developer of on-line application services provider for personal healthcare services. The heads of agreement was lapsed on 12 February, 2001.

In March 2001, the Group entered into a sales and purchase agreement to dispose 13 wholly owned subsidiaries and 2 partially owned subsidiaries together with the assignment of inter-company debts for an aggregate consideration of HK\$1.00 to a third party. The financial impact of the disposal to the Group is a profit of approximately HK\$240,000.



3. Strategic Investment

In view of the fluctuation of the stock market, the Group further disposed some of its strategic investment for HK\$13,059,000 resulting in a realized loss of HK\$3,327,000. The provision for diminution in value for the strategic investment in hand for the year amounted to HK\$4,641,000 and was below last year HK\$5,073,000 by HK\$432,000 or 8.51 per cent. As at 31 March, 2001, the value of strategic investment was HK\$19,278,000 and was above last year end HK\$14,966,000 by HK\$4,312,000. It is the view of the management that the strategic investment will be further reduced in view of instability of the stock market and for prudence sake.

4. Prospects of Main Business

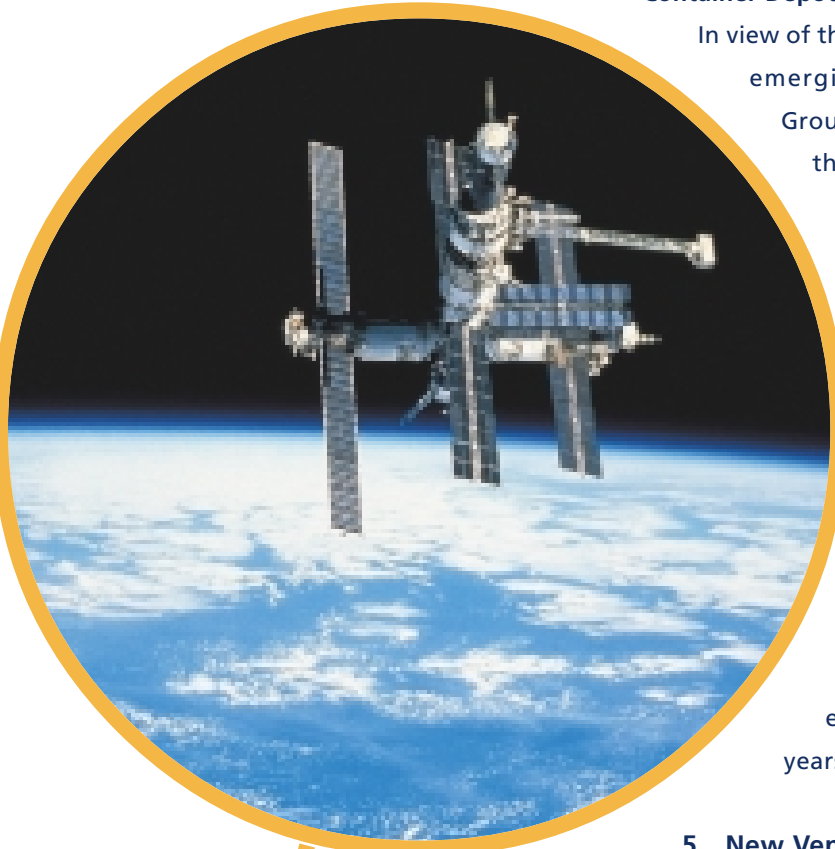
Vessel Operating Common Carrier Business

The Group continues with its freight business as complementary part of operation to vessel operating common carrier business to enjoy the economy of scale in operating the freight business.

In order to minimize fixed overheads and maximize the flexibility to cope with the keen competition and changing business environment, it is the Group's strategy to charter all new feeders on short term basis, that is renewed on monthly or quarterly basis instead of on long term basis. The Group will continue to streamline its feeder fleet and may dispose those less productive operations and routes. Besides, the Group adopted a more prudent way to extend insurance coverage in order to effectively contract out the risk associated with the business. Regarding the litigation, the Group has considered to institute legal proceedings to hold the counter party liable and negotiate with the insurer for compensation.

Container Depot Operation

In view of the competition from the new emerging container depots, the Group has continuously adopted the cost reduction strategy to streamline its operations. Besides, the Group has strengthened its management team with addition of experienced professionals. It is believed that with the efforts of the new management team, the growth and profitability of container depot operation will be further enhanced in the next few years.



5. New Venture

In pursuance of the corporate strategy, the Group actively pursues and diversifies into investment opportunities in other fields such as technology, education and other information driven business. Among various high-tech investment opportunities, the Group has strategically selected to invest in a high tech venture in the PRC in the area of provision of educational services, which will be benefited from the anticipatory demand from a nationwide professional training network established under the state authorization. As a result, the Group entered into a heads of agreement with Huge Victory Ltd. to acquire 77.27% interest in a company engaging in long distance professional educational services through satellite and internet in the PRC endorsed by State Drug Authorization on 25 April, 2001 and entered into a sales and purchase agreement on 5 June, 2001 and a supplementary agreement to amend certain terms and conditions of the sales and purchase agreement on 10 July, 2001.



6. Business Focuses

As a result of the Group's comprehensive restructuring, the Group is now actively implementing its strategic plan focused more on its core business, namely vessel operating common carrier and container depot operation in its provision of logistics management services, while reducing further non-core business such as strategic investment and education software, which have affected the result of the year. Continuing improvement of the operational, organization and financial management of the Group is prepared for through appropriate reshifting in resources.

Moving forward in the medium and long term prospectives, the Group is actually looking for investment opportunities in a high growth potential business. In July 2001, the Group entered into a conditional sale and purchase agreement for acquiring interest in the new venture engaged in long distance professional educational services through satellite and internet in the PRC.

Moreover, the container depot operation will be expected to be benefited from the demand raising by the improving transportation infrastructure in China economic modernization while the vessel operating common carrier and plus the rapid growth in foreign trade as speeded up by China's entry to WTO. The management expects that the contributions to the Group from vessel operating common carrier, container depot operation and provision of logistics management services will remain stable in 2001. Notwithstanding the

uncertainties associated with the high tech business, it is the unblended direction of the Group to continuously explore the investment opportunities in high tech area and capitalize on the expertise of the management in relation to the existing operation of the Group and to actively pursue and diversify into investment opportunities in other fields such as technology, education and other information driven business.

7. Other Matters

Employees and Remuneration Policy

	2001 No. of Staff	2000 No. of Staff
Hong Kong SAR	39	74
Mainland China	348	324
Total	<u>387</u>	<u>398</u>

As at 31 March 2001, the Group employed approximately 387 staff including 39 staff in Hong Kong and 348 staff in Mainland China.

The remuneration policies of the Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees, while at the same time to attract potential employees.

The remuneration packages of Hong Kong employees include salary payments, medical allowances, hospitalization scheme, housing reimbursement, tax subsidization and discretionary bonuses on performance basis.

All the subsidiaries of the Group in Hong Kong provided pension schemes for the employees in Hong Kong as part of the staff benefits. In addition, the Group has a share option scheme for rewarding its directors and staff. The remuneration packages of certain employees in Mainland China included salary payments, share option scheme and welfare fund.

Major Suppliers and Customers

In the year under review, the aggregate percentages of purchase attributable to the Group's five largest suppliers is approximately 34% in which the percentage attributable to the largest supplier is approximately 11% and the aggregate percentages of turnover attributable to the Group's five largest customers is approximately 36%, in which the percentage attributable to the largest customer is approximately 10%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best of knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or five largest customers.