

1. Liquidity and Financial Resources

At the end of the year, the aggregate cash and bank balance of the Group amounted to HK\$10,464,000 and was below last year HK\$75,816,000 by HK\$65,352,000. The decline was mainly caused by the substantial decrease in net cash inflow from financing by HK\$207,303,000 and the net cash outflow from operating activities was also increased by HK\$40,178,000 despite the negative impact was partly off set by the increase of net cash inflow from investing activities increased by HK\$42,574,000.

Regarding the substantial decease in net cash inflow from financing, the cash inflow generated by the issue of new shares was decreased from last year HK\$208,826,000 to only HK\$7,513,000 for the year, a dropping of 96.4%. Further, the cash inflow from issue of warrants amounted to HK\$23,906,000 and none for the year. During the year, the Group issued 10,000,000 shares upon exercise of share option granted to certain placees of the Company and 1,331,000 shares upon exercise of share options under the share option scheme of the Company which generate cash flow of HK\$7,513,000 and was partly set off by repurchase of 8,990,000 own shares from the stock market with cash consideration of HK\$3,909,000.

The improvement of net cash inflow from investing activities was mainly contributed by less deposits paid out for potential investments during the year while a sum of HK\$21,373,000 being the refund of deposits paid for potential investments were received in the year.

The net cash outflow from operating activities for the year was HK\$82,932,000, an increase by HK\$40,178,000 or 94% as compared with last year HK\$42,754,000. The increase was due to gain arising in relation to undertakings by a former shareholder excluding the set-off of bank draft of HK\$40,269,000 by deposit placed by a former shareholder in last year and no such gain in this year.

As at 31 March 2001, the total banking facilities available to the Group amounted to approximately HK\$2.1 million while HK\$15.2 million at the end of last year. Same as last year, the Group had no bank borrowing or no long term secured loans.

2. Capital Structure

	2001 HK\$'000	2000 HK\$'000
Share Capital	116,234	116,000
Reserves	<u>97,784</u>	<u>168,280</u>
Shareholders' funds	<u><u>214,018</u></u>	<u><u>284,280</u></u>

The Group's total shareholders' funds decreased from HK\$284,280,000 in last year to HK\$192,618,000 in the year, the decrease was simply due to loss from operation of HK\$130,321,000 was recorded for the year while a profit of HK\$35,207,000 was booked in last year.

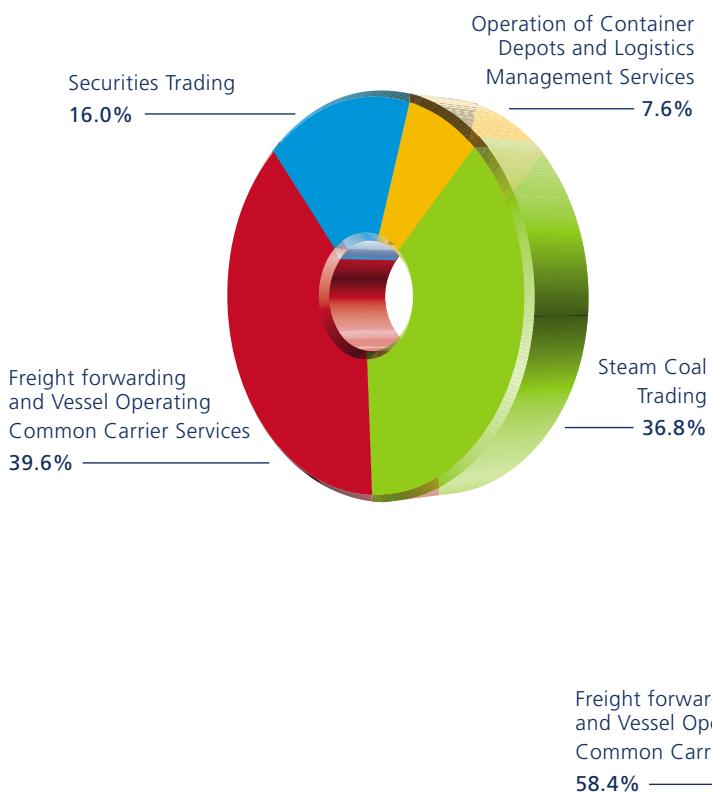
3. Review of Operation

For the current year, the Group's turnover was notably decreased to HK\$137.4 million by 25.80 per cent as comparing with last year HK\$185.1 M in which the revenue generated from continued operations amounted to HK\$114,925,000 or 83.7 per cent (2000: HK\$116,955,000 or 63.2 per cent) and discounted operation HK\$22,425,000 or 16.3 per cent (2000: HK\$68,148,000 or 36.8 per cent). Among the major business lines, freight forwarding and vessel operating common carrier services accounted for HK\$80,228,000 or 58.4 per cent of the Group's revenue (2000: HK\$73,382,000 or

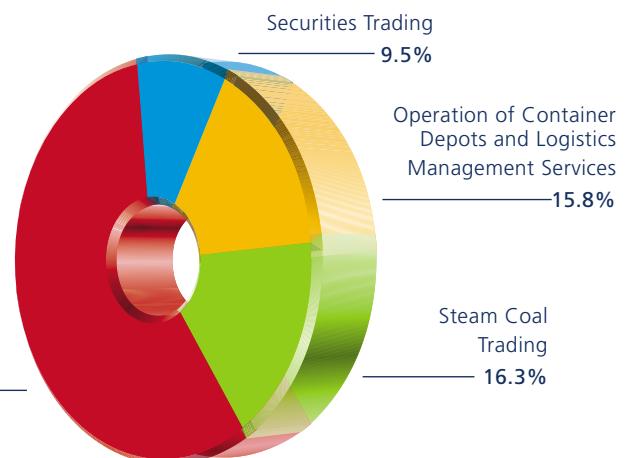
39.6 per cent). The revenue generated by security trading amounted to HK\$13,059,000 (2000: 29,568,000) while operation of container depots and logistics management services accounted for HK\$21,638,000 (2000: HK\$14,005,000).

The loss from operation was slightly reduced by HK\$6,737,000 to HK\$60,461,000 or 10 per cent for the year as comparing with HK\$67,198,000. The improvement was mainly contributed by the substantial reduction of loss for freight forwarding and vessel operating common carrier services by HK\$9,860,000 and corporate finance overheads by HK\$13,017,000. However, the impact was eroded by the increase in loss realized from securities trading of HK\$2,977,000 and notable increase of corporate overheads of HK\$13,504,000.

Sales by Activities Year 2000



Sales by Activities Year 2001



The net finance charges was significantly reduced by HK\$2,115,000 or 86.5 per cent as comparing with last year HK\$2,446,000 was due to the increase in interest income on bank deposits and project deposits while interest expenses were saved by means of disposing certain properties and other fixed assets in PRC with mortgage loan.

The net loss before tax for the year amounted to HK\$74,554,000 (2000: Profit HK\$35,207,000). The advance change was caused by impairment losses of HK\$66,857,000 recognised in relation to an associate while a gain of approximately HK\$107,894,000 in relation to the waiver of deposits and claims from the former shareholder, Central China Enterprises Limited.

Freight Business

The turnover of the sea and air freight operation for the year ended 31 March, 2001 was HK\$37,964,000 exceeding last year HK\$34,605,000 by HK\$3,359,000 or 9.7 per cent. The improvement was due to the demand of air freight to United States of America was notably increased in the first half year. As a result of disposing certain subsidiaries engaged in the sea and air freight operations, there was a few income generated in the second half of the year 2000/2001 and the loss from operation was also substantially reduced from last year HK\$17,730,000 to only HK\$207,000 in the year under review.

Vessel Operating Common Carrier

Despite the turnover of the vessel operation for the whole year 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 of turnover in the first half year of 2001 was eroded by the notably decline in turnover in the second half of the year. Keen competition and less demand of feeder services to Hong Kong in the second half year together with one of the feeders chartered by the division was seized and finally disposed by a cargo claimant due to a collision resulted in reducing the fleet capacity by approximately 19%.

The vessel operation reported a loss of HK\$4,100,000 for the year versus a profit of HK\$3,563,000 in last year, an adverse change by HK\$7,663,000. The performance set back was mainly due to decline in demand from major customers. Besides, the prepaid rental for a feeder was fully provided as the feeder arrested was sold by the Court and a software with a net book value of HK\$888,000 was completely amortized due to replacement by upgraded system.

Operating of container depots

The turnover of the Container Depot Operation for the year amounted to 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

amounting to HK\$703,000 compared with a loss of HK\$161,000, a deterioration by HK\$542,000 was mainly due to cost margin higher than last year 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.

Strategic Investment

In view of the falling trend of the stock market, the Group reduced its strategic investment by selling securities of HK\$13,059,000 which resulted in a realized loss of HK\$3,327,000 and made a further provision amounted to HK\$4,641,000 for diminution in value for the strategic investment in hand at the year end.

Trading of steam coal

The management suspended the trading operation in order to minimize risk exposure. Accordingly, the turnover of trading of steam coal reported is in fact the sales of the first six months of the year. Compared with the sales of HK\$68,148,000 recorded in 2000, representing a decrease of HK\$45,723,000 or 67.1 per cent.

4. Fund Raising Transaction

	Net Proceeds HK\$'000
Apr 2000 Net Proceeds from the exercise of 863,000 share options of the Company by employees	86.3
May 2000 Net Proceeds from the exercise of 218,000 share options of the Company by employees	21.8
June 2000 Net Proceeds from the exercise of 250,000 share options of the Company by employees	25.0
June 2000 Net Proceeds from the exercise of 10,000,000 share options of the Company by certain placees	7,380.0
	7,513.1

During the year, the Group raised fund amounting to HK\$7,513,100 via exercise of options by employees.

5. Analysis in Net Assets

Date	Effect of the Transaction on the net asset of the Group	HK\$000
Apr 2000	Net Proceeds from the exercise of 863,000 share options of the Company by employees	86.3
May 2000	Net Proceeds from the exercise of 218,000 share options of the Company by employees	21.8
June 2000	Net Proceeds from the exercise of 250,000 share options of the Company by employees	25.0
June 2000	Net Proceeds from the exercise of 10,000,000 share options of the Company by certain placees	7,380.0
Oct 2000	Repurchase 4,530,000 shares	(1,811.0)
Nov 2000	Repurchase 4,460,000 shares	(2,098.0)
	Total effect of the above transaction on the net assets of the Group	<u><u>3,604.1</u></u>

During the year under review, the Company has raised a sum of HK\$3,604,100 via the option exercised by employee and paid HK\$3,909,000 for repurchase of 4,530,000 own shares and 4,460,000 own shares in October and November 2000 respectively.

6. Review of Operation

	2001 HK\$'000	2000 HK\$'000
Turnover by activities:		
Freight forwarding and		
Vessel operating common		
carrier services	80,228	73,832
Securities Trading	13,059	29,568
Operation of container depots and		
logistics management services	21,638	14,005
Steam coal trading	<u>22,425</u>	<u>68,148</u>
	137,350	185,103
Profit/(loss) contribution by activities:		
Freight forwarding and		
Vessel operating common		
carrier services	(4,307)	(14,167)
Securities Trading	(3,327)	(350)
Operation of container depots and		
logistics management services	(703)	(161)
Steam coal trading	<u>(745)</u>	<u>570</u>
	(9,082)	(14,108)
Net Finance Income/(Cost)	3,235	(984)
Share of results of associates	(1,106)	(135)
Impairment losses recognised in		
relation to an associate	(66,857)	—
Group finance overheads	(45,676)	(32,266)
Corporate finance overheads	(9,269)	(22,286)
Other non-operating items	<u>(1,739)</u>	<u>104,569</u>
(Loss) profit from ordinary activities before taxation	(130,494)	34,790