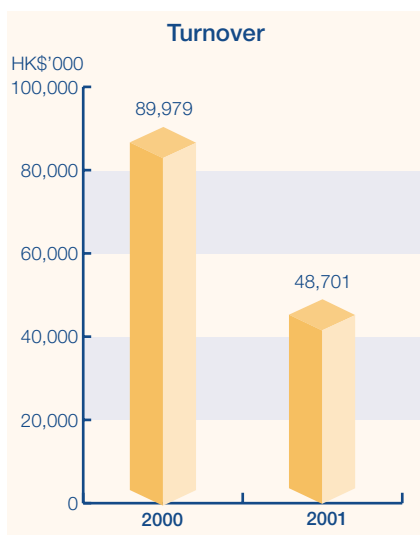


INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend for the six months ended 30th September, 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS



Six months ended 30th September

For the six months ended 30th September, 2001, the Group's turnover amounted to HK\$48,701,000, (six months ended 30.9.2000: HK\$89,979,000) representing a decrease of approximately 45.9% as compared with the same period last year. It was attributed to the downsizing and disposal of certain subsidiaries engaged the sea and air freight operations, and the discontinuation of the steam coal trading operation during the second half of the financial year 2001 as mentioned in the annual report for the year ended 31st March, 2001. Among the major business lines, freight forwarding and vessel operating common carrier services accounted for HK\$16,175,000 or approximately 33.2% of the Group's

revenue (six months ended 30.9.2000: HK\$59,421,000 or approximately 66.0%) while the operation of container depots and logistics management services accounted for HK\$10,146,000 or approximately 20.8% (six months ended 30.9.2000: HK\$8,192,000 or approximately 9.1%).

The gross profit declined from HK\$12,618,000 for the corresponding period last year to HK\$8,960,000 for the period under review, representing a decrease of HK\$3,658,000 as a result of decrease in turnover.

The loss from operations reduced by HK\$3,177,000 to HK\$27,870,000 compared to the corresponding period of HK\$31,047,000 for last year. Notwithstanding a high level of corporate finance overheads as a result of the undertaking of various acquisition exercises during the period, the improvement was mainly contributed by a profit of HK\$3,011,000 from securities trading compared with a loss of HK\$6,218,000 reported in the corresponding period last year.

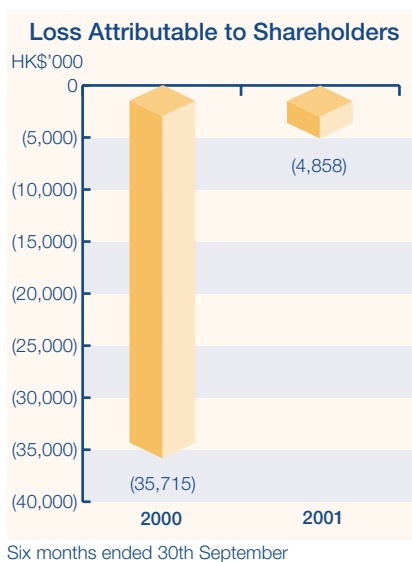
The Group's unaudited net loss attributable to shareholders for the half year ended 30th September, 2001 was HK\$4,858,000 (six months ended 30.9.2000: a loss of HK\$35,715,000). The change was attributable to a one-off gain of approximately HK\$23,322,000 from the expiry of the unexercised warrants due on 31st August, 2001. Loss per share was 0.4 cents compared with loss per share of 3.1 cents in the corresponding period last year.

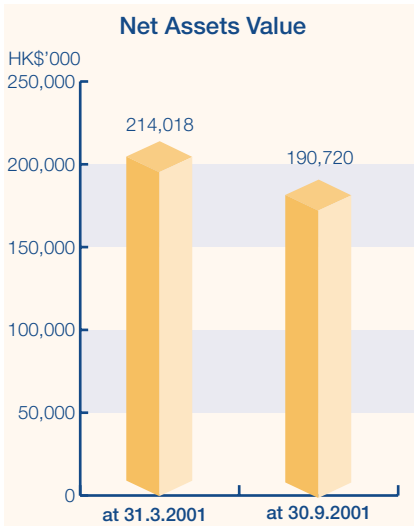
Gearing

As at 30th September, 2001, the Group had a working capital fund of HK\$55,809,000. The Group had a bank overdraft that amounted to HK\$2,658,000, and had neither bank borrowing nor other loan.

Capital Structure

The Group's share capital increased from HK\$116,234,000 as at 31st March, 2001 to HK\$117,274,000 due to the exercise of share options granted under the share option scheme of the Company by employees during the six months ended 30th September, 2001.





The decrease in the Group's total shareholders' funds from HK\$214,018,000 as at 31st March, 2001 to HK\$190,720,000 as at 30th September, 2001 was mainly attributable to the operating loss of HK\$27,870,000 for the six months ended 30th September, 2001.

Liquidity and Financial Resources

There was a substantial decrease in net cash outflow for the six months ended 30th September, 2001 compared to the corresponding period last year mainly because of the reduction of cash outflow from operating activities.

Net cash outflow from operating activities was notably improved during the period mainly attributed to the improvement of cash flow management and the disposal of marketable securities.

The net cash outflow from investing activities mainly constituted of earnest money for strategic investments that were under negotiation and the cash consideration paid for the acquisition of 20% equity stake in Oriental Express Development Limited ("OEDL").

REVIEW OF OPERATIONS

Freight Business

In accordance with the Group's cost recovery objective towards the air and sea freight business segment in order to improve resources allocation efficiency, the Group disposed certain loss-making subsidiaries during the year ended 31st March, 2001. Consequently, the turnover contributed by this segment was reduced by approximately 97.8% to HK\$828,000 as compared with the corresponding period last year. The operating loss for the period under review was HK\$196,000, representing an improvement of HK\$1,835,000 compared with last year.

Vessel Operating Common Carrier

The demand for inbound feeder delivery of Pearl River Delta has decreased since May 2001 due to the restriction of certain types of imported materials, keen competition in the Delta region and an increase in operating cost. As a result, the turnover decreased by HK\$6,688,000 to HK\$15,347,000 for the period as compared with the corresponding period of last year of HK\$22,035,000. The vessel operation reported an operating loss of HK\$1,189,000 versus a profit of HK\$3,057,000 for last year, an adverse change of HK\$4,246,000.

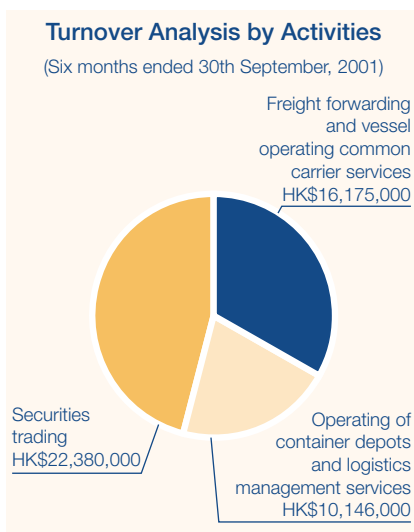
In the long term prospective, the management is intended to dispose those feeders operating in non-profitable routes while chartering some feeders with larger capacity not owned by the Group in order to maximize the return and to improve overall profitability.

Container Depot Operation and Logistics Management Services

The business of Container Depot in Shanghai remained strong for the six months ended 30th September, 2001. The turnover increased by HK\$1,954,000 or approximately 23.9% to HK\$10,146,000 as compared with the corresponding period of last year of HK\$8,192,000. This operation reached breakeven as compared with a loss of HK\$587,000 in the corresponding period last year, representing an improvement of approximately 98.3%.

Securities Trading

The Group continued to re-organize its investment portfolio. The turnover was HK\$22,380,000 for the first six months, recording a trading profit of HK\$3,011,000 versus a trading loss of HK\$6,218,000 for the corresponding period of last year. During the six months under review, the Group had been disposing its strategic



investment, leaving the Group with a neutral position in the stock market as at 30th September, 2001. For prudence sake, management has no intention to invest in the equity market amid its high volatility, especially after the 11th September tragedy and the outbreak of the debt crisis in Argentina.

Employees and Remuneration Policy

As at 30th September, 2001 the Group employed approximately 328 staff with approximately 37 staff in Hong Kong and 291 staff in the Mainland, including 26 staff in the People's Republic of China ("PRC") associates. In order to maintain its competitive strength, the Group continued to trim down the size of the workforce and to improve the overall efficiency and productivity of employees by the means of implementing an effective incentive system. Under the incentive system, staff will, in accordance to their seniority and performance, be entitled to discretionary bonus, share option scheme, medical allowance and hospitalization scheme, housing reimbursement and tax subsidy.

NEW VENTURES

On the 21st September, 2001, the Group completed the acquisition of 20% equity stake in OEDL, a company engaging in the provision of long distance professional educational services for pharmacists through satellite and internet in the PRC. As of 30th September, 2001, the 20 per cent owned associate had entered into cooperative agreements with seven provincial authority institutions, and is under the progress of constructing earth stations and the satellite network. The venture is expected to commence operation in the 1st quarter of 2002.

PROSPECTS

The Year 2001 turnout to be a very difficult year for any business concern operating anywhere in the world. After an unusually long expansion cycle, the U.S. economy started to soften in the beginning of this year, which led to a slowdown in other parts of the world. The incident on 11th September further pushed the global economy into the road of recession.

The Group is not impervious to these larger global economic factors, particularly in the shipping related businesses. Any decline in the global trade volume will immediately and adversely impact the trading results of the Group. Despite the challenging conditions, the Group is well positioned to deal with the tough and uncertain market environment.

We are working for a brighter future through two important strategies. One strategy is to continue our efforts in improving the cost efficiency of our freight forwarding and the related operations. The Group began its cost reduction program in year 2000 and is now working on streamlining its operational flow and on lowering overhead costs through manpower reduction. The Group is also continuing its efforts to look at appropriate disposal of non-profit contributing and non-core operations in order to achieve the best possible results with the best operating efficiency. At the same time, as a participant in the transportation business, we expect to see some direct benefits in the emerging new business opportunities with the admission of China into the World Trade Organization (the "WTO").

Our second strategy is to continue to be selective and prudent in seeking investments opportunities in high growth areas in order to diversify the Group's business portfolio. We embarked on this direction about two years ago and have fine-tuned our efforts over the past few months. The Group is now focused on the high-tech sector of long-distance learning.

On 10th July, 2001, the Company has entered into an agreement to acquire 20% equity interests with a call option to acquire up to approximately 77.27% equity interests in OEDL, a company, the principal asset of which is an approximately 90% equity interests in Beijing Eastern Sapharm Technology Co., Ltd., a sino-foreign equity joint venture engaging in the provision of long distance professional educational services for pharmacists through satellite and internet in the PRC. Subsequent to the six months ended 30th September, 2001, the Company has entered into an agreement to acquire approximately 45% equity interests of Independent Islands Limited, a company that has an approximately 80% equity interest in Beijing Worthope Sathen Network Technology Company Limited, a sino-foreign equity joint venture participating in the provision of continuing education to practitioners in the medical field, by way of distant learning through satellite and computer network in the PRC.

We are particularly excited about these strategic investments since both companies have exclusive contracts with the respective government authorities to provide the underlying educational services, as professional education is one of the top priorities for China with its accession to the WTO. Over the course of next few years, we expect to see a dramatic shift in the Group's revenue contribution from the current sole reliance on transportation to a mixture of shipping and distanced learning businesses.

As a sign of our belief in the importance of China-related educational businesses, we have brought in two new executive directors with expertise in information technology, consumer marketing and the China market to bolster our leadership ranks. By coupling the best managers with the best business opportunities, we shall see the merits of our strategy in a very short time frame.

Overall, we are excited about our prospects in the near future. The Board will continue to endeavor our best efforts to justify the trust shown by our shareholders and to bring better operational results.

DIRECTORS

Executive directors:

Mr. Hon Ming Kong, Chairman

Mr. Liang Jun

Mr. Tsoi Wai Kwong

Mr. Tsai Bobby Sung-En (appointed on 7th August, 2001)

Mr. Yu Liang Liang (appointed on 4th September, 2001)

Mr. Ngai Wai Fung (resigned on 7th August, 2001)

Independent non-executive directors:

Mr. Chan Tat Chee

Mr. Lee Yu Leung

COMPANY SECRETARY

Mr. Ngai Wai Fung (resigned on 7th August, 2001)

Ms. Shirley Lau (appointed on 7th August, 2001)