



Review of Operations



1. Review of Main Businesses

Freight Forwarding and Vessel Operating Common Carrier

For the year ended 31 March 2002, the results of the freight forwarding and vessel operating common carrier services were worse than the previous year. During the year, the Group saw a decline of 64.1% in the turnover of this business segment to HK\$28,761,000. At the same time, the operating loss widened by 121.8% to HK\$9,554,000. This is mainly attributed to the further contraction in demand for inbound feeder delivery to the Pearl River Delta, after certain imported materials were banned by the PRC government in May 2001, thus intensifying the already tight competition in the region.

In the past, the feeder delivery services of the Group targeted cargo transportation from the PRC ports to Hong Kong for re-exportation. In the face of such unfavourable market developments, the Group started to engage in the provision of feeder delivery services between Guangzhou and Yantian for direct shipment from mainland ports to the overseas. Besides, the Group also changed its operation policy during the year by chartering feeders with larger capacity from outside parties instead of employing self-owned feeders. Apart from reducing operating costs, such arrangement also helped remove from the Group the increased burden of insurance costs and operation risks associated with vessel operation. The above changes in marketing strategy and operation policy led to reduction in operating costs and effectively helped contain the negative impact brought by the decrease in demand for inbound feeder delivery to the Pearl River Delta.

Container Depot Operation and Logistics Management

During the year under review, the results of the Group's container depot operation in Shanghai were disappointing. For the year ended 31 March 2002, the turnover derived from the operation of the Group's container depot in Shanghai amounted to HK\$18,165,000, representing a decrease of 16.1% from the previous financial year. At the same time, an operating loss of HK\$1,321,000 was incurred, representing an increase of 87.9% in operating loss as compared with the year ended 31 March 2001.

Despite its strong performance in the first half of the year, the container depot operation of the Group was dealt a blow in the second half of the year due to the impact of the 911 Incident, which led to a contraction in global trading activities.

2. Disposal and Acquisition of Subsidiaries and Assets

In July 2001, the Group entered into a sale and purchase agreement to dispose of a wholly owned subsidiary with the assignment of inter-company debt for a consideration of HK\$1.00 to a third party. The financial impact of the disposal on the Group is a loss of approximately HK\$225,000.

In June, the Group entered into a sale and purchase agreement, which was subsequently supplemented by another agreement in July 2001, for acquiring 20% interests in Oriental Express Development Limited, a company providing professional pharmacological distant training in the PRC. The acquisition was completed in September 2001.

In November 2001, the Group entered into a sale and purchase agreement for the acquisition of 45% interests in Independent Islands Limited, a company providing Satellite and Internet enabled continuing education in the PRC. The acquisition was completed in January 2002.

3. Securities Trading

For the year ended 31 March 2002, the Group disposed of all remaining strategic investment, generating a revenue of HK\$22,380,000 and incurring a trading loss of HK\$5,895,000, as compared with a trading loss of HK\$3,327,000 in the previous financial year. In light of the increased volatility in the market and higher risks in the wake of the 911 Incident, the Group maintained a neutral position in the equity market for prudence sake.

4. Prospects of Main Businesses

In the face of the anaemic global economic outlook, the Directors believe that optimization of asset allocation and business structure is of paramount importance. As such, the Group will continue to pursue two important strategies in the near future. One is to keep up the efforts in improving the operational efficiency of the freight forwarding and the related operations. Following the cost control measures introduced in year 2000, the Group will move on to streamline its operational flow and to further reduce its overhead costs. At the same time, the Group will continue to review its existing businesses and dispose of any non-profitable unit or restructure any entity with unsatisfactory performance as and when appropriate.

Another strategy is to continue seeking investment opportunities in a prudent manner in high growth areas in order to diversify the Group's business portfolio. The key here lies in identifying investment targets with attractive returns, promising prospects and minimum risks. Presently the Group is focused on distant learning supported by information technologies. Nevertheless, the Group will keep on looking for investment opportunities in other sectors.

During the year under review, two new executives who are specialized in information technology, consumer marketing and the China market were appointed. Drawing on their expertise, the new management is expected to help the Group reap the most under the new business directions, with a view to delivering the best value to shareholders.

Freight Forwarding and Vessel Operating Common Carrier

In view of the uncertainties in the world economy, the Group will continue to operate the freight business under the existing slim structure in order to bring it back to profitability in the near future. At the same time, the Directors will closely monitor international economic developments and review its strategies as and when appropriate.

In the near future, in response to the changes in market demand, the Group will strive to increase its share in the market for feeder delivery services between mainland ports for overseas shipment. Besides, the Group will also further increase the deployment of chartering instead of employing self-owned vessels, so as to enhance the flexibility and competitiveness of its operation.

Container Depot Operation and Logistics Management Services

With the PRC's accession to the World Trade Organisation, it is expected that Shanghai, as the major business centre on the mainland, will see a further boom in its economic development. Against this backdrop, the Directors expect that this business segment will turn around soon and play an increasingly important role in the overall results of the Group in terms of its revenue and profit contribution.

5. New Ventures

Provision of Professional Pharmacological Distant Training in the PRC

On 21 September 2001, the Group completed the acquisition of 20% equity interest of Oriental Express Development Limited, a company engaging in the provision of long distance professional educational services for pharmacists through satellite and internet in the PRC. As of 31 March 2002, the 20 per cent owned associate is under the progress of constructing earth stations and the satellite network. The associate is expected to commence operation in the second half of 2002.

Provision of Satellite and Internet enabled Continuing Medical Education in the PRC

On 17 January 2002, the Group completed the acquisition of 45% equity interests Independent Islands Limited, a company engaging in the provision of technical services to support the continuing education for practitioners in the medical field, village doctor education, standardised training for impatients' doctor, full-subject education for doctors, and on-the-job certification training by way of distant learning through a satellite and computer network in the PRC. Up to 31 March 2002, the 45% owned associate is ready to move on to launch distant medical education programmes in the PRC. The associate is expected to commence operation in the second half of 2002.

According to statistics published by the Ministry of Health and Ministry of Education, in 2001 it was estimated that in the PRC there were around 1,559,000 senior physicians, 2,096,000 middle-rank medical practitioners, 62,000 medical students, 1,020,000 village doctors, 1,051,000 students who are not admitted to traditional medical schools but would like to pursue in the medical profession. As such, there was an estimated total of 5,788,000 target candidates who have the demand for the distant medical education and training offered by the Group. The Directors are of the opinion that the PRC distant medical education market presents huge growth potential.

As the project rolls on and spans, as planned, over the 31 provinces, autonomous regions and municipalities of the PRC, the network is expected to become the first-ever nationwide distant medical education network in the country.



6. Business Focuses

In line with the new business directions laid down in the last annual report, the Group stepped up its efforts in re-engineering its business structure during the year under review. In the previous financial year, several non-core businesses, including the provision of educational software and the steam coal trading operation, were discontinued and a number of loss-making subsidiaries engaged in sea and air freight forwarding were disposed of. The result was a better focus for the Group in improving the performance of its existing core operations, namely freight forwarding and vessel operating common carrier services, container depot operation and the provision of logistics management.

Besides, the financial and management resources freed up also allowed the Group to make foray into new ventures that offer high growth potential through leveraging information technologies to create value to a substantial market that already exists. The Group undertook two such new ventures during the year under review: the provision of professional pharmacological distant training in the PRC and the provision of Satellite and Internet enabled continuing medical education in the PRC. While currently in the incubation stage, both ventures are expected to start generating income in the second half of 2002.

7. Other Matters

Employees and Remuneration Policy

	2002	2001
	No. of Staff	No. of Staff
Hong Kong SAR	43	39
Mainland China	275	348
Total	318	387

As at 31 March 2002, the Group employed 318 staff, including 43 staff stationed in Hong Kong and 275 staff stationed in Mainland China, of which 72 staff stationed in the PRC associates. In order to maintain its competitive strength, the Group continued to trim down the size of its workforce and to improve the overall efficiency and productivity of its employees by means of an effective incentive system. Subject to experience and individual performance, members of the staff will be entitled to discretionary bonus, participation in share option scheme, medical allowance and hospitalization scheme, housing allowance reimbursement and tax subsidy.

Major Suppliers and Customers

For the year ended 31 March 2002, less than 30% of the Group's sales and purchases were attributable to the Group's five largest customers and suppliers.

During the year, none of the directors of the Company, nor any of their associates or any of the shareholders who, 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.