Chairman's Statement

For the year ended 31 March 2003, the Group recorded a loss of approximately HK$298.2 million, as compared with a loss of approximately HK$47.2 million for the last financial year. The turnover of the Group declined by 37.8% from approximately HK$69.3 million last year to approximately HK$43.1 million this year.

Faced with the combination of the continuing expansion of freight forwarding services in Yantian, and the increasing trend of direct shipment from mainland ports to overseas destinations, the Group is entering a critical phase in its freight forwarding business. To contain the negative impact of these unfavourable factors, the Group intends to diversify its business, explore overseas markets, and enhance its competitiveness by cost-cutting and streamlining its operations.

REVIEW OF OPERATIONS

Freight Forwarding and Vessel Operating Common Carrier Services

For the year ended 31 March 2003, the results of the freight forwarding and vessel operating common carrier services were an improvement over those of last year. Principally because of the competitive loading charges offered by freight forwarding operators in Shekou and Yantian, which intensified the already tight competition in the region, turnover declined by 12.5% from approximately HK$28.8 million last year to approximately HK$25.2 million this year.

Despite the decline in turnover, however, the Group was able to recover from an operating loss of approximately HK$9.6 million last year to an operating profit of approximately HK$1.7 million this year. The management's earlier efforts to cut costs and improve efficiency were bearing results.

Operation of Container Depots and Logistics Management Services

During the year, the Group disposed of its 40% equity interest in United Asia Terminal Holdings Limited, resulting in a loss of about HK$12.8 million in this disposal.

Because the Container Depot in Shanghai was undergoing extensive maintenance work, the reduction of usable area for operational use had contributed to a fall in turnover in the first half of the financial year. The overall turnover slightly decreased by 1.3% from approximately HK$18.2 million last year to approximately HK$17.9 million this year. The operating loss widened from approximately HK$1.3 million last year to approximately HK$4.7 million this year.

Due to the favourable factor of the reduction in toll and measures taken by the management to strengthen the costs control, it was optimistic that the operation results would be improved. Based on the fact that there was a significant growth in the market, the directors were confident in maintaining the market share and expected a steady growth in turnover.

REVIEW OF OPERATIONS (Continued)

Provision of Satellite and Internet Support to Long Distance Education for Pharmacists and Continuing Medical Education in the PRC

Oriental Express Development Limited ("OEDL") was initially expected to commence operation in the second half of 2002. OEDL is principally engaged in the business of providing long distance professional education services for pharmacists through satellite and internet in the PRC.

Apart from OEDL, the Group also acquired 45% equity interests of Independent Islands Limited ("IIL") on 17 January 2002. IIL was a company mainly engaged in the provision of technical supporting services to the continuing education for practitioners amongst the medical sector, village doctor education, standardised training for in-patients' doctors, and full-subject education for doctors, as well as on-the-job certification training by way of distant learning through a satellite and computer network in the PRC.

As the new management has no expertise in the business of satellite, computer and internet networks, no further financial resources will be injected into these projects. The unamortised goodwill and the amounts due from these associates were considered impaired, resulting in impairment losses recognised in relation to associates of approximately HK$190.4 million.

EMPLOYEES AND REMUNERATION POLICY

	2003 No. of staff	2002 No. of staff
Hong Kong	16	43
The PRC	212	275
Total	228	318

As at 31 March 2003, the Group employed approximately 228 staff with approximately 16 staff in Hong Kong and 212 staff in the PRC. The Group continues to review the remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance and hospitalization scheme and housing allowance.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year ended 31 March 2003, the Group had been funding its operation entirely by shareholders' equity and cash generated from operations. The Group did not have any secured or unsecured debt as at the year end date. Total non-current assets of the Group and total current assets as at 31 March 2003 were approximately HK$75.0 million and HK$13.5 million which were mainly financed by total current liabilities and shareholders' equity of approximately HK$45.5 million and HK$44.7 million respectively.

With the cash to be generated from the Group's operations in its ordinary course of business, coupled with the net proceeds from the Rights Issue mentioned under the heading of Capital Structure below, the directors expected that the Group will have sufficient working capital for its operations in the coming year.

Since the Group's core operations were in the PRC, it was expected that the Group had limited exposure to fluctuations in exchange rates.

CAPITAL STRUCTURE

There had been no change in the share capital structure of the Company for the year ended 31 March 2003.

The decrease in shareholders' equity was mainly due to:

(1) the operating loss of approximately HK$32.0 million;
(2) amortisation of goodwill of approximately HK$19.5 million;
(3) impairment losses recognised in relation to associates of approximately HK$190.4 million;
(4) provision for loan receivables of approximately HK$13.5 million;
(5) provision for deposits paid for potential investments of approximately HK$27.2 million; and
(6) loss on disposals of partial interest in a subsidiary of approximately HK$12.8 million.

Subsequent to the financial year end, a special resolution was passed in a special general meeting of the Company held on 9 July 2003 ("SGM") pursuant to which the paid up capital of the Company was reduced from HK$0.10 per share to HK$0.0001 per share ("Reduced Share") by the cancellation of HK$0.0999 of the paid up capital on each issued share ("Capital Reduction"). As a result of the Capital Reduction and based upon the number of issued shares of the Company as at 9 July 2003, an amount of approximately HK$152,001,977.37 from the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company and was applied in eliminating part of the accumulated losses of the Company. Upon the Capital Reduction taking effect, every 10 Reduced Shares were consolidated into one share of HK$0.001 each ("New Share") effective on 10 July 2003 ("Share Consolidation").

CAPITAL STRUCTURE (Continued)

Pursuant to an ordinary resolution passed in the SGM, 152,154,131 New Shares will be issued by way of rights issue ("Rights Issue") on the basis of one rights share for every New Share held at an issue price of HK$0.30 per share. The estimated net proceeds will be approximately HK$44 million. Subject to all the conditions of the Rights Issue being fulfilled, the Rights Issue will become unconditional on 5 August 2003.

As at 31 March 2003, the Company had outstanding warrants in the amount of HK$117,000,000. As a result of the Share Consolidation and Rights Issue mentioned above, the subscription price had been changed from HK$0.50 to HK$3.79 per share.

CHARGES ON ASSETS

None of the assets were pledged as at the year end date. Subsequently on 27 May 2003, 60% of the Group's equity interest in United Asia Terminal Holdings Limited, one of the Company's indirect subsidiaries, was pledged to secure a loan of HK$10 million granted to the Group.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group at the balance sheet date are set out in note 28 to the financial statements.

PROSPECTS

There was a change in the composition of the board in May 2003 as a result of the change in the substantial shareholder of the Company. The new board has since been reviewing the operation of the Group.

As the world economy recovers from the war in Iraq, and Hong Kong from SARS, the management will strive to explore new investment opportunities. At the same time, the Group will persist with its policy of enhancement of competitiveness through cost-cutting, better allocation of resources and streamling of operation.

By Order of the board
Wong Ching Ping, Alex
Chairman

Hong Kong, 24 July 2003