

CHAIRMAN'S STATEMENT

To the Shareholders

I am glad to report to Shareholders a full year of growth for the Group in terms of both business turnover and attributable profit. In the last twelve months, we have been able to take advantage of improved market conditions to increase our business turnover and maximize profits. All signs in the market now point to the fact that opportunities in the market will continue to grow and I am confident that our achievement so far is sustainable into the next year.

Results

For the year ended 31st July 2000, consolidated turnover rose by 11.5% to HK\$1,493 million. Profit attributable to shareholders was HK\$65.9 million, increasing by 90.3%. Earnings per share were HK27.7cents, as compared to HK14.6 cents in the previous year.

Dividends

The Board of Directors has recommended a final dividend of HK10 cents per share, which together with the interim dividend of HK2.5 cents per share, represents a total dividend of HK12.5 cents per share. Subject to shareholders' approval at the annual general meeting, dividends will be paid to shareholders whose names appear in the register of the Company at the close of business on 22nd December 2000.

General Review

The global and regional business environments have generally improved during the year under review. As a result, we have been able to benefit significantly from our broad-based network of overseas offices and agents in servicing our customers all over the world.

During the year under review, our US offices performed well with improved sales turnover. Notwithstanding speculations ranging from a slowdown to a possible hard landing and rising interest rates that could easily dampen consumers' propensity to spend and hence impact on the growth of merchandize trade, the economic environment in North America has on the whole remained favourable to

the freight forwarding industry. Domestic demand in the US market has been particularly strong.

In the South Asian region, most economies have succeeded in extricating themselves from the difficulties and uncertainties resulting from the regional financial turmoil of 1997. Trading activities have become more robust in the region, giving rise to stronger demand for freight forwarding and logistics services. Our operations here were therefore able to achieve healthy growth during the year.

Hong Kong remained the chief source of revenue for the Group. The SAR's economy has definitely been on its way to a significant recovery by sustaining double-digit growth in the first two quarters of 2000. As a result, most of our subsidiaries in Hong Kong performed well during the period under review. Notwithstanding warnings of slower growth in the latter half of the year in view of the rise in oil prices, the general sentiment in the market remains positive.

Our operations in China, particularly in Shanghai, enjoyed very healthy growth. We expect that our China operations to become an important revenue contributor of the Group in the course of time.

Air freight remained the chief contributor to the Group's revenue. As a result of stronger global and regional demand, the Group's air freight operation was able to achieve significant growth. At the same time, the performance of our sea freight business also remained stable.

Looking ahead

We remain optimistic that the past twelve months' good performance is sustainable into the next year, given the strong economic climate in the US market as well as the continued recovery and growth of the regional economy. This will act in our favour because we enjoy the advantage of having a carefully planned out and well-established global network that is capable of securing a wider customer base. We will maximize that advantage to bring in new revenue. We will also continue to consolidate our network of overseas offices and agents to ensure our competitive edge.

The granting of Permanent Normal Trade Relations to China by the US Government has cleared the last hurdle for China to join the World Trade Organization (WTO) possibly at the beginning of 2001. We firmly believe that the Group's business

between the Mainland and her trading partners in the US and Europe will be boosted by China's WTO membership.

While we will continue to focus on air freight and sea freight, we are also actively promoting our third party logistics services. As the Asian economy continues to grow and expand, more and more multinationals will be keen on having more effective supply chain management by outsourcing their logistics requirements in the Asian market. China's imminent entry to the WTO will also strengthen Hong Kong's position as a leading regional logistics hub.

At present, the Group's third party logistics services are still at its infant stage of development, making only a small contribution to total profits. However, we expect this business area to grow progressively in importance in the years ahead as more and more multinationals will outsource their logistics requirements. The excellent air cargo handling facilities at Hong Kong International Airport give Hong Kong's freight forwarding, supply chain management and logistics sectors a distinct advantage to satisfy the logistics needs of the manufacturers and consumers in Southern China.

We fully understand that to capture this potentially vast business opportunity, it is important to possess the right technological capacity. It is the Group's policy to use the latest information technology available to improve productivity and efficiency. The BALtrack Shipment Tracking and Tracing System is one such initiative. To prepare ourselves for gaining a share in the third party logistics sector, we will continue to invest in the appropriate information technology in order to strengthen our competitive position in the long term.

Last but not least, I wish to thank all our Shareholders for their continued trust and support, and to express my deep appreciation to the Board of Directors for their guidance and advice. I would also like to thank all the Group's staff members for their hard work and dedication that are key to the good performance we have achieved.

Anthony Siu Wing LAU

Chairman and Chief Executive

Hong Kong, 23rd November 2000