

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st July 2000.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of its subsidiaries continue to be the provision of freight forwarding services.

An analysis of the Group's turnover and contribution to operating profit/(loss) for the year by principal activities and geographical location of operations is set out in note 2 to the accounts.

Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 26. The directors have declared an interim dividend of HK2.5 cents per ordinary share, totalling HK\$5,961,000, which was paid on 2nd June 2000.

The directors recommend the payment of a final dividend of HK10.0 cents per ordinary share, totalling HK\$23,865,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group and the Company are set out in note 10 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 17 to the accounts.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restriction against such rights under law in Bermuda.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company shares during the year.

Bank overdrafts and other borrowings

At 31st July 2000, bank and other borrowings of the Group are repayable over the following periods:

	Bank overdrafts HK\$'000	Other borrowings HK\$'000
On demand or not exceeding one year	11,257	424
More than one year but not exceeding two years	-	485
More than two years but not exceeding five years	-	-
More than one year but with no fixed repayment date	-	11,382
	11,257	12,291

five year financial summary

The following table summarises the results, assets and liabilities of the Group for the five years ended 31st July 2000.

	1996 <i>HK\$'000</i>	1997 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Results					
Profit attributable to shareholders	39,193	47,303	38,502	34,663	65,948
Assets and liabilities					
Total assets	405,507	452,154	383,272	453,100	513,897
Total liabilities	163,666	189,011	152,334	218,822	249,201
Shareholders' funds	241,841	263,143	230,938	234,278	264,696

Major customers and suppliers

The percentages of purchases attributable to the Group's major suppliers are as follows:

	2000 %	1999 %
Purchases		
-the largest supplier	23	24
-the five largest suppliers combined	40	44

No disclosure with respect to major customers is made since the aggregate percentage of sales attributable to the Group's five largest customers is less than 30% of the Group's total sales during the current and previous year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

Provident fund arrangements

The Group operates a defined contribution pension scheme for its Hong Kong

employees. The scheme is administered by independent trustees. In relation to each employee, the employee and the Group contribute 5% and 5 - 10% respectively of employees' basic salaries to the scheme. Contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions are used by the Group to reduce the existing level of contributions.

Defined contribution pension schemes for staff of the Group in other countries follow the local statutory requirements of the respective countries.

Provident fund arrangements (Continued)

During the year, the Group's provident fund contributions were as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contribution charged to profit and loss account for the year based on 5% - 10% of employees basic salaries under the defined contribution schemes	2,383	2,415
Forfeited contribution used by the Group to reduce the existing level of contributions under the defined contribution schemes	(443)	(388)
Contribution charged to profit and loss account for the year pursuant to overseas statutory requirements	1,233	1,722
	3,173	3,749

At the balance sheet date, there are no forfeited contributions which are available to reduce the Group's future contributions.

Distributable reserves

At 31st July 2000, the distributable reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$32,237,000.

Directors

The directors during the year were:

Executive directors:

Mr Anthony Siu Wing LAU

Mr William Hugh Purton BIRD

Mr David Chung Hung WAI

Independent non-executive directors:

Mr Henrik von SYDOW

Mr Christopher John David CLARKE

Mr Goshi KIRIMOTO

Mr William Hugh Purton BIRD and Mr Henrik von SYDOW, retire by rotation in accordance with Section 87(2) of the Company's Bye-laws, and being eligible, offer themselves for re-election.

Biographical details of directors and senior management

The biographical details of directors and senior management are set out as follows:

Executive directors

Mr Anthony Siu Wing LAU

Aged 57, is a co-founder of the Group together with Mr William Hugh Purton BIRD and Mr David Chung Hung WAI and is the Company's chairman and chief executive. He is responsible for the overall management of the Group, particularly the Greater China operations. He holds a Master of Business Administration Degree from the University of East Asia, Macau. He is also a fellow member of the Institute of Freight Forwarders UK. He has 36 years of experience in the airline and freight forwarding businesses and was the regional managing director of a multinational freight forwarding company in Hong Kong for five years.

Mr William Hugh Purton BIRD

Aged 54, is a co-founder of the Group together with Mr Anthony Siu Wing LAU and Mr David Chung Hung WAI. Mr BIRD is the managing director of BALtrans Logistics Pte. Limited. Mr BIRD was based in Hong Kong between 1982 and 1989, and since then he has been stationed in Singapore and has been responsible for developing the Group activities in the South East Asian and Australian region. Mr BIRD has 33 years of experience in the freight forwarding business. He is also a member of the Institute of Freight Forwarders UK. He was the regional managing director of a multinational forwarding company based in Hong Kong for five years.

Mr David Chung Hung WAI

Aged 53, is a co-founder of the Group together with Mr Anthony Siu Wing LAU and Mr William Hugh Purton BIRD. Mr WAI is the president of BALtrans Logistics Inc. and BALtrans Ocean Inc. He is responsible for the management and development of the Group's interest in the US market. He has over 35 years of experience in shipping lines, airlines and freight forwarding businesses.

Independent non-executive directors**Mr Henrik von SYDOW**

Aged 47, has 22 years of experience in the freight forwarding business. He holds a Master of Business Administration Degree from The University of Gothenburg, Sweden. He is currently the managing director of Wilson Logistics Group, Sweden. He was appointed as an independent non-executive director of the Company in 1992.

Mr Christopher John David CLARKE

Aged 50, is the senior partner in Asia of CMS Cameron McKenna, a leading international law firm. He has over 25 years of experience as a solicitor in England and Hong Kong with extensive experience in corporate and commercial law. He was appointed as an independent non-executive director of the Company in 1993.

Mr Goshi KIRIMOTO

Aged 64, holds a Bachelor Degree from the Economics Department, University of Doshisha, Kyoto, Japan. He is currently the president of New Japan Air Service Ltd. (NEWJAS), a wholly owned subsidiary of Itochu. He has been with Itochu for over 43 years. Prior to his appointment as the president of NEWJAS, he had been a Board Member of Itochu and had served Itochu as managing director in Hong Kong and Nagoya. He was appointed as an independent non-executive director of the Company in 1996.

Senior management**Mr Kwok Kong KO**

Aged 48, joined the Group in 1982. He is the accountant of the Group and a director of BALtrans Logistics Limited in Hong Kong. He has 26 years of experience in the freight forwarding business.

Mr John Kelly KING

Aged 48, joined the Group in 1982. He is a director of BALtrans Logistics Limited and is responsible for its air freight operations. He holds a Bachelor Degree in Social Science from the University of Toronto. He has 23 years of experience in the freight forwarding business.

Mr Raymond Wai Man LAW

Aged 45, joined the Group in 1983. He is a director of BALtrans Logistics Limited and is responsible for its sea-freight operations. He holds a Bachelor Degree in Science from the University of Alberta, Canada. He has 17 years of experience in freight forwarding business.

Mr Wan Tat KWAN

Aged 50, joined the Group in 1994. He has been the managing director of Supreme Airfreight Company Limited for many years in Hong Kong. He is responsible for the day to day management and the sales and marketing activities of the company. He has 10 years of experience in airlines cargo business and 13 years of experience in freight forwarding business.

Mr Ernie Chak Chiu SO

Aged 50, joined the Group in 1996 as the managing director of Fondair Express (HK) Limited in Hong Kong. He has 30 years of experience in the forwarding industry holding various executive positions.

Mr Edmund Soon Nam NG

Aged 45, joined the Group in 1985 and is a director of a Group's subsidiary in Singapore. He is responsible for the day to day management of the Singapore operations. He has 21 years of experience in the freight forwarding business.

Mr Cid SMITH

Aged 58, joined the Group in 1992 and is a director of the Group's subsidiary in Malaysia, with the responsibility for the day to day operations of the Malaysian operations. He is a fellow member of the British International Forwarders Association (BIFA) with 37 years of freight forwarding experience.

Directors' interests in contracts

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

In 1992, a share option scheme was approved at a special meeting of the Company under which the directors may, at their discretion, invite full time employees including executive directors of the Group to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein.

On 13th March 1997, nine senior management of the Group were offered options to subscribe a total of 3,900,000 shares at a fixed price of HK\$0.8336 per share. Half of the allocation may be exercised after 30th June 1998 and the remainder after 31st December 2000. The options are valid until 12th March 2003. Information related to the share options held by the senior management is set

out in note 17 to the accounts.

Apart from the above, at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Company's directors, chief executives and their spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in, debentures of, the Company or any other body corporate.

Particulars of shares held by directors, chief executives and their associates

At 31st July 2000, the directors, chief executives and their associates had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

Name of directors	Nature of holding	Number of ordinary shares of the Company beneficially held
Mr Anthony Siu Wing LAU	Personal interest	72,386,000
Mr William Hugh Purton BIRD	Personal interest	57,591,200
Mr David Chung Hung WAI	Personal interest	32,942,000
Mr Christopher John David CLARKE	Personal interest	34,000

Save as disclosed above and other than certain non-beneficial ordinary shares in subsidiaries held in trust for the Group by Mr Anthony Siu Wing LAU and Mr William Hugh Purton BIRD, none of the directors, chief executives and their associates has any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations as at the balance sheet date required to be disclosed pursuant to the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31st July 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the directors and chief executives

as disclosed above.

DIRECTOR'S SERVICE AND MANAGEMENT CONTRACTS

At 31st July 2000, a subsidiary of the Company had entered into an agreement with Transportation Consultancy Limited, in which Mr Anthony Siu Wing LAU, Mr William Hugh Purton BIRD and Mr David Chung Hung WAI are interested as beneficial owners, for the provision of management services to the Group. The contract will be expired on 31st July 2001.

Apart from the above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation and no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules") except that independent non-executive directors are not appointed for a specified term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

Audit Committee

Pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, an audit committee, comprising two independent non-executive directors, namely Mr. Henrik von SYDOW and Mr. Christopher John David CLARKE, was established on 20th January 1999. Two meetings were held during the current financial year.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit

Committee include the review and supervision of the Group's financial reporting process and internal controls.

Subsequent event

On 30th October 2000, the Company, through its wholly owned subsidiary, Baltrans International (BVI) Limited, entered into a conditional sale and purchase agreement (the "agreement") with Mr. Ernie So Chak Chiu ("Mr. C. C. So") and Mr. Francis So Chak Fai ("Mr. C. F. So"), both directors of Fondair Express (HK) Limited ("Fondair"), to acquire 20% equity interest in Fondair for a cash consideration of approximately HK\$19,000,000. Goodwill arising from this acquisition is approximately HK\$18,000,000.

The agreement contains terms by which the consideration for the acquisition may be adjusted. Further details of the adjustment are set out in the announcement dated 31st October 2000.

Upon completion of this acquisition, the effective interest of Fondair held by the Group increased from 67.4% to 87.4%.

Mr. C. C. So and Mr. C. F. So are directors and substantial shareholders of Fondair, a non-wholly owned subsidiary of the Company. Accordingly, the acquisition constitutes a connected transaction of the Company pursuant to Rule 14.26 of the Listing Rules. The agreement is subject to approval of the independent shareholders at a special general meeting.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Anthony Siu Wing LAU

Chairman

Hong Kong, 23rd November 2000