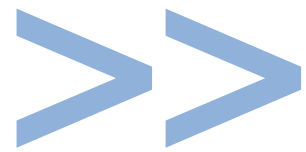


Airfreight was able to achieve a higher profit margin mainly due to a better mixture of traffic. Sea freight saw healthy growth, especially in terms of profit, as a result of successful marketing and promotion.



Chairman's Statement



To the Shareholders

The US economy took an abrupt turn towards the end of 2000 as signs of downturn began to surface, becoming more apparent in the first half of 2001. This turn of events has been felt not only in North America but also across the world, impacting nearly all economies and business sectors. Inevitably the Group's performance in the year to 31st July 2001 was also affected by the adverse operating environment. While the September 11 tragedy has at first dashed any hope of a fast recovery of the US market, recently there has been speculation of a quicker-than-expected rebound. Without sounding over-optimistic, we are cautiously hopeful that some degree of recovery would be possible later next year.

Results

For the year ended 31st July 2001, the Group's consolidated turnover dropped by 13.3 percent to HK\$1,294 million. Profit attributable to shareholders was HK\$70.2 million, increasing by 6.4 percent. Earnings per share amounted to HK29.4 cents, as compared to HK27.7 cents in the last fiscal year.

Dividends

The Board of Directors has recommended a final dividend of HK10.0 cents per share. This, together with the interim dividend of HK3.0 cents, would give a total dividend of HK13.0 cents per share for the whole year. Subject to the Shareholders' approval at the Annual General Meeting, the final dividends will be paid to the Shareholders whose names appear in the register of the Company at the close of business on 28th December 2001.

General Review

The adverse impact of the US economic slowdown was felt more acutely in the latter half of the fiscal year under review as demand contracted almost across the board. The Asian region was inevitably also under the impact in the year under review.

Hong Kong remained the Group's major source of revenue, though lower demand had caused a decline in sales. The Group's operation in the Mainland China has been making progress. It was able to help boost the profitability of the Group's other operations and subsidiaries.

The Group's performance in other Asian markets was mixed. Business in Singapore grew as a result of acquisition. Our joint venture company in Indonesia, PT NEWJAS BALtrans Indonesia, also registered growth notwithstanding the less than favourable political and economic environment. On the other hand, business turnover in Malaysia and Thailand suffered some decline due to lower demand.

The Group's airfreight business was able to achieve a higher profit margin despite a decline in turnover. This was mainly due to a better mixture of traffic. Our sea freight business saw some healthy growth, especially in terms of profit, as a result of successful marketing and promotion. Third-party logistics, a growing area for the Group, also registered growth as we extended our service beyond Hong Kong to markets in North America that have been growing steadily.

Looking Ahead

Uncertainties are expected to continue hovering over the world economy as the ramifications of the September 11 attacks have yet to be fully evaluated. The odds are now for a downturn on a global scale as clearer signs have begun to emerge. As a result, the coming year is expected to be a difficult year for most sectors, not just in the West but also in Asia. To reduce the adverse impact on the Group, we are actively seeking and implementing measures to streamline our operation and reduce costs.

In the longer term, we believe in brighter prospects as trade opportunities increase in China after her accession to the World Trade Organisation. The multiplier effect arising from that is likely to benefit the supporting services, including freight forwarding and third-party logistics. Furthermore, the Hong Kong SAR Government's determination to re-position Hong Kong as a regional logistics hub and the Hong Kong International Airport's initiatives in building a logistics centre and possibly a logistics park too will all be conducive to the growth of the freight forwarding industry as a whole. To coincide with these developments, we would expect the HKSAR Government to further liberalise its air policy to ensure that Hong Kong enjoys a larger catchment area and reaches more destinations. In order to expand our markets worldwide, therefore, we are constantly on the lookout for investment and acquisition opportunities in other parts of the world.

For BALtrans, airfreight is expected to continue growing in the long term and third-party logistics would also be a high-growth area. Geographically, we expect the Mainland market to increase in importance as a profit centre with steady growth. In view of that, we may consider to expand our presence there by setting up more offices or making acquisitions.

Finally, I wish to thank the Shareholders for their continued support and the Board of Directors for their sound advice. I would also like to thank all our staff for their commitment and hard work that the Group will continue to rely on.

Anthony Siu Wing LAU

Chairman and Chief Executive

Hong Kong, 22nd November 2001