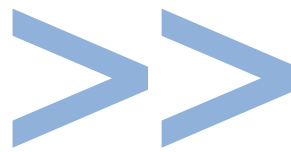




In the longer term, we believe in brighter prospects as trade opportunities increase in China after her accession to the World Trade Organization in November 2001.



# Report of the Directors



The directors submit their report together with the audited accounts for the year ended 31st July 2001.

### Principal activities and geographical analysis of operations

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

An analysis of the Group's turnover and contribution to operating profit 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 HK3.0 cents per ordinary share, totalling HK\$7,172,000, which was paid on 30th May 2001.

The directors recommend the payment of a final dividend of HK10.0 cents per ordinary share, totalling HK\$23,905,000.

### Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 17 to the accounts.

### Fixed assets

Details of the movements in fixed assets of the Group and the Company are set out in note 9 to the accounts.

### Share capital

Details of the movements in share capital of the Company are set out in note 16 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's shares during the year.

### Bank overdrafts and other borrowings

At 31st July 2001, bank overdrafts and other borrowings of the Group are repayable over the following periods:

	Bank overdrafts <i>HK\$'000</i>	Other borrowings <i>HK\$'000</i>
On demand or not exceeding one year	6,908	425
More than one year but not exceeding two years	—	192
More than two years but not exceeding five years	—	240
More than one year but with no fixed repayment date	—	318
	<u>6,908</u>	<u>1,175</u>

### Five year financial summary

The following table summarises the results, assets and liabilities of the Group for the five years ended 31st July 2001.

	1997 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
<b>Results</b>					
Profit attributable to shareholders	<u>47,303</u>	<u>38,502</u>	<u>34,663</u>	<u>65,948</u>	<u>70,158</u>
<b>Assets and liabilities</b>					
Total assets	452,154	383,272	453,100	513,897	490,273
Total liabilities	<u>189,011</u>	<u>152,334</u>	<u>218,822</u>	<u>249,201</u>	<u>206,048</u>
Shareholders' funds	<u>263,143</u>	<u>230,938</u>	<u>234,278</u>	<u>264,696</u>	<u>284,225</u>

### Major customers and suppliers

Purchases attributable to the Group's major suppliers are as follows:

	2001	2000
	%	%
Purchases		
— the largest supplier	19	23
— the five largest suppliers combined	36	40

Aggregate sales attributable to the Group's five largest customers is less than 30% of the Group's total sales during the current and previous years.

None of the directors, their associates or any shareholders (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.

With the implementation of the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance on 1st December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1st December 1999, all the existing employees were given an option to select between the existing defined contribution pension scheme and the MPF Scheme. The employees who commenced employment after 1st December 1999 are required to join the MPF Scheme. For the MPF Scheme, both the Group's and employees' contributions are fixed at 5% of the employees' relevant income as defined in the Hong Kong MPF Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Majority of the defined contributions for overseas staff are relating to the defined contribution pension scheme in Singapore which is administered by the Singapore Government. In relation to each employee in Singapore, the employee and the Group contribute 5%-20% and 3.5%-16% respectively of employees' basic salaries to the scheme. The contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

**Provident fund arrangements** *(Continued)*

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Contributions charged to profit and loss account for the year under the defined contribution pension scheme and MPF Scheme in Hong Kong	2,916	2,383
Forfeited contributions used by the Group to reduce the existing level of contributions under the defined contribution pension scheme	(274)	(443)
Contributions charged to profit and loss account for the year pursuant to overseas statutory requirements	<u>1,705</u>	<u>1,233</u>
	<u><u>4,347</u></u>	<u><u>3,173</u></u>

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

**Directors**

The directors during the year and up to the date of this report were:

**Executive directors:**

Mr Anthony Siu Wing LAU  
Mr William Hugh Purton BIRD  
Mr David Chung Hung WAI

**Independent non-executive directors:**

Mr Christopher John David CLARKE  
Mr Goshi KIRIMOTO  
Mr Christopher Harvey HALL (appointed on 12th September 2001)  
Mr Henrik von SYDOW (resigned on 31st July 2001)

Mr David Chung Hung WAI and Mr Christopher John David CLARKE, 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 58, 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 37 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 55, 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 34 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 54, 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 36 years of experience in shipping lines, airlines and freight forwarding businesses.

### Independent non-executive directors

#### Mr Christopher John David CLARKE

Aged 51, is the senior partner in Asia of CMS Cameron McKenna, a leading international law firm. He has over 26 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 65, holds a Bachelor Degree from the Economics Department, University of Doshisha, Kyoto, Japan. He is currently the advisor of I-Logistics Corp., a wholly owned subsidiary of Itochu. He has been with Itochu for over 44 years. Prior to his appointment as advisor of I-Logistics Corp., 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.

#### Mr Christopher Harvey HALL

Aged 49, is a graduate of Cambridge University and director of Pacific Taxation Services Limited, a subsidiary of the Insinger group. He is a Certified Public Accountant with over 25 years experience. He was a partner of Grant Thornton Hong Kong for 19 years. He was appointed as an independent non-executive director of the company in 2001.

**Biographical details of directors and senior management** *(Continued)***Senior management****Mr Kwok Kong KO**

Aged 49, joined the Group in 1982. He is the accountant of the Group and a director of BALtrans Logistics Limited in Hong Kong. He has 27 years of experience in the freight forwarding business.

**Mr John Kelly KING**

Aged 49, 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 24 years of experience in the freight forwarding business.

**Mr Raymond Wai Man LAW**

Aged 46, 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 18 years of experience in freight forwarding business.

**Mr Wan Tat KWAN**

Aged 51, 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 14 years of experience in freight forwarding business.

**Mr Ernie Chak Chiu SO**

Aged 51, joined the Group in 1996 as the managing director of Fondair Express (HK) Limited in Hong Kong. He has 31 years of experience in the forwarding industry holding various executive positions.

**Mr Edmund Soon Nam NG**

Aged 46, 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 22 years of experience in the freight forwarding business.

**Mr Cid SMITH**

Aged 59, 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 38 years of freight forwarding experience.

### Directors' interests in contracts

No contracts of significance in relation to the Group'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. The outstanding share options held by the senior management is set out in note 16 to the accounts.

Apart from the above, at no time during the year was the Company or its subsidiaries a party to any arrangements 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, or debentures of, the Company or any other body corporate.

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

At 31st July 2001, 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	78,000

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 2001, 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.

### Directors' service and management contracts

At 31st July 2001, 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 expire on 31st December 2001.

Apart from the above, none of the directors who are proposed for re-election of 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.

### Connected transaction

On 30th October 2000, the Company, through its wholly owned subsidiary, BALtrans International (BVI) Limited, entered into a sale and purchase agreement (the "Agreement") with Mr Ernie So Chak Chiu and Mr Francis So Chak Fai (the "Vendors"), both are directors of Fondair Express (HK) Limited ("Fondair"), to acquire an additional 20% equity interest in Fondair (the "Acquisition") for a cash consideration of HK\$19,276,000.

Pursuant to the Agreement, the consideration for the Acquisition may be adjusted as follows:

Downward adjustment: In the event that (i) 20% of the Profit After Taxation as shown in the audited accounts of Fondair and its subsidiaries (the "Fondair Group") for each financial year ending on 31st July 2004 is less than HK\$3,825,000, or (ii) 20% of the Profit After Taxation as shown in the audited accounts of the Fondair Group for the four consecutive financial years ending on 31st July 2004 is less than HK\$18,000,000 in aggregate, the Group will receive the shortfall on a dollar for dollar basis in cash from the Vendors.

Upward adjustment: In the event that 20% of the Profit After Taxation as shown in the audited accounts of the Fondair Group for the four consecutive financial years ending on 31st July 2004 exceeds HK\$18,000,000 in aggregate, each of the Vendors will be entitled to a total of 25% of the cumulative excess, subject to a maximum amount of HK\$15,000,000 for each of the Vendors.

### Connected transaction *(Continued)*

After the Acquisition, the effective interest of Fondair held by the Group increased from 67.4% to 87.4%.

At the date of Agreement, the Vendors were directors and substantial shareholders of Fondair, which was a 67.4% owned subsidiary of the Group, the Acquisition constituted a connected transaction for the Group. An announcement relating to the Acquisition was published on 30th October 2000. This Acquisition was approved by independent shareholders at a special general meeting on 4th December 2000.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 24 to the accounts.

### 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

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr Henrik von SYDOW and Mr Christopher John David CLARKE. Mr Henrik von SYDOW was resigned on 31st July 2001 and Mr Christopher Harvey HALL was appointed as a member of Audit Committee on 12th September 2001. Two meetings were held for the review of interim and annual financial statements for the current financial year.

### 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, 22nd November 2001