

CHAIRMAN'S STATEMENT

TO THE SHAREHOLDERS

Despite the continuing contraction in global trade and its inevitable impact on a number of our businesses, most notably the freight business in Hong Kong, BALtrans Holdings Limited has weathered the fallout from the crisis of September 11 and its aftermath relatively well. Our Group has adhered to its expansion strategy through acquisition, and indeed looks forward to further acquisition opportunities in the future.

RESULTS

For the year ended 31st July 2002, the Group's consolidated turnover increased by 1.6 percent to HK\$1,315 million. Profit attributable to shareholders decreased by 20.4 percent to HK\$55.8 million. Earnings per share amounted to HK23.3 cents, as compared to HK29.4 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 19th December 2002.

GENERAL REVIEW

The terrorist attacks in the United States on September 11, 2001 happened when the US economy already showed signs of weakness, and the attacks resulted in further deterioration of a global slowdown in trade, which has impacted the Hong Kong economy significantly. As a result of the terrorist strikes, airlines cut flights because of a lack of passengers, which caused a shortage of cargo space and pushed up air cargo rates at short notice, thus reducing our profit margin. Fuel surcharges and insurance costs also increased, and this heavier burden in terms of costs and competition affected the Group's profitability in its major business despite a recovery in turnover in the second half of the year.

The seafreight business performed relatively well during the year, boosted by the acquisition of a subsidiary operation in Canada, although competition put considerable pressure on the profit margins of the business.

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The Group's other businesses, in exhibition forwarding and household removal and third-party logistics, remain small in terms of their contribution to the overall results. We continue to view third-party logistics as a growth opportunity for the future, but expect it to take some years to build.

The Group has already undertaken preventive belt-tightening measures in terms of reducing manpower costs during the year, and will continue to examine ways of improving efficiency without additional outlays.

LOOKING AHEAD

In the long term, BALtrans Holdings Limited is committed to providing a robust network of first-class logistics operations to serve our customers around the globe. With the continued development and growth of the China market, we are focusing considerable energies on expanding our presence there, as well as across the Asia Pacific and North America.

Freight forwarding remains our core business, and one in which we believe our solid network and resources leave us well-positioned to weather the ongoing global downturn. We remain largely conservative about the prospects for a recovery in global trade and for our own freight forwarding businesses, partly as a result of the additional impact of uncertainty about potential conflict between the United States and Iraq on the existing trade slump. In addition, we believe that the effects of the West Coast dock strike in the United States will have a negative impact on our seafreight business. Nevertheless, what is lost on seafreight is gained on airfreight, as shippers have little alternative but to resort to airfreight to ensure they meet deadlines and obligations. As our airfreight business is larger than seafreight, the Group actually reaped benefit from the strike. However, the impact of the strike on small-to-medium-sized enterprises (SMEs) in Asia has yet to be fully realized and we believe we may yet see a trend of SMEs going out of business. As a result, we are being very careful about our receivables.

As a Group, we have embarked on a strategy of growth through acquisition, and have met with considerable success in this area in the past year. The acquisition of several smaller businesses in Singapore and establishment of a new Canadian subsidiary have both contributed to increased turnover for the year. Our objective is to continue to seek out attractive opportunities to acquire businesses and operations in areas that strategically enhance our ability to serve our customers, and this will continue over the coming year.

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Finally, I would like to extend my thanks to our 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 through these challenging times that the Group will continue to rely on.

Anthony Siu Wing LAU

Chairman and Chief Executive

Hong Kong, 14th November 2002