

Report of the Directors



The directors submit their report together with the audited accounts for the year ended 31st July 2004.

Principal activities and segment 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 performance for the year by geographical and business segments 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 32. The directors have declared an interim dividend of HK3 cents per ordinary share, totalling HK\$9,045,000, which was paid on 27th May 2004.

The directors recommend the payment of a final dividend of HK10 cents per ordinary share, totalling HK\$30,150,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders subject to a solvency test. As at 31st July 2004, the distributable reserves of the Company available for distribution, net of dividends paid, amounted to HK\$62,422,000 (2003: HK\$33,677,000).

Fixed assets

Details of the movements in fixed assets of the Group and the Company are set out in note 11 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under laws of 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.

Short-term bank loan, bank overdrafts and Long-term bank loan

At 31st July 2004, short-term bank loan, bank overdrafts and other borrowings of the Group are repayable over the following periods:

	Short-term bank loan and bank overdrafts <i>HK\$'000</i>	Long-term bank loan <i>HK\$'000</i>
On demand or not exceeding one year	66,165	3,996
More than one year but not exceeding two years	—	3,996
More than two years but not exceeding five years	—	9,352
	66,165	17,344

Five year financial summary

The following table summarises the results, assets and liabilities of the Group for the five years ended 31st July 2004.

	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Results					
Profit attributable to shareholders	65,948	70,158	55,827	22,917	52,874
Assets, liabilities and minority interests					
Total assets	513,897	490,273	594,822	948,714	1,079,869
Total liabilities	(208,433)	(164,406)	(237,994)	(446,552)	(535,942)
Minority interests	(16,903)	(17,737)	(21,078)	(15,088)	(19,105)
Shareholders' funds	288,561	308,130	335,750	487,074	524,822

Major customers and suppliers

Aggregate purchases attributable to the Group's five largest suppliers is less than 30% of the Group's total purchases during the current and previous year.

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 year.

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 defined contribution pension schemes for its Hong Kong employees, the BALtrans Logistics (Hong Kong) Limited Retirement Scheme ("ORSO Scheme") and the Scheme under the Hong Kong Mandatory Provident Fund Scheme ("MPF Scheme"). The schemes are administered by independent trustees.

Under the ORSO Scheme, each employee and the Group contribute 5% and 5% to 10% respectively of employee's basic salary to the relevant fund each month. Contributions made for those employees who cease to participate in the scheme prior to vesting fully in the contributions of the Group are forfeited and are used to reduce the existing level of contributions.

Except for employees who commenced employment after 1st December 1999, all the existing employees were given an option to select between ORSO 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 monthly income 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.

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:

	2004 HK\$'000	2003 HK\$'000
Contributions charged to profit and loss account for the year under the ORSO Scheme and the MPF Scheme	4,443	3,634
Forfeited contributions used by the Group to reduce the existing level of contributions under ORSO Scheme	(243)	(499)
Contributions charged to profit and loss account for the year pursuant to overseas statutory requirements	6,968	4,834
	11,168	7,969

At the balance sheet date, forfeited contributions totalling HK\$13,000 (2003: HK\$72,000) is available to reduce the Group's future contributions.

In Taiwan, a defined benefit retirement scheme is operated for its employees. The retirement benefit scheme is a defined benefit retirement scheme based on salary upon retirement. The assets of the retirement benefit scheme are held independently of the Group assets in separate trustee administered funds. The Group's defined benefit retirement scheme is valued by Watson Wyatt Taiwan Branch, a qualified actuary, annually using the projected unit credit method.

The principal actuarial assumptions used were as follows:

	2004 %	2003 %
Discount rate	3.5	3.25
Expected rate of return on plan assets	3.5	3.25
Expected rate of future salary increases	0.5	0.5

Directors

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

Executive directors:

Mr Anthony Siu Wing LAU
Mr David Chung Hung WAI

Non-executive directors

Mr Peter James Holland RILEY
Mr William Hugh Purton BIRD
Mr Christopher John David CLARKE (re-designated as non-executive director on 22nd September 2004)

Independent non-executive directors:

Mr David Hon To YU
Mr Cheung Shing NG (appointed on 22nd September 2004)
Ms Miriam Kin Yee LAU (appointed on 22nd September 2004)

The Company considers that Mr David Hon To YU, Mr Cheung Shing NG and Ms Miriam Kin Yee LAU are independent pursuant to the criteria set out in Listing Rules of The Stock Exchange of Hong Kong Ltd ("Listing Rules") and that confirmations of independence have been received from each of them.

Mr Christopher John David CLARKE will retire by rotation at the forthcoming annual general meeting in accordance with Section 87(2) of the Company's Bye-laws and, being eligible, has offered himself for re-election.

Mr Cheung Shing NG and Ms Miriam Kin Yee LAU will retire in accordance with Section 86(2) of the Company's Bye-laws and, being eligible, have offered 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 61, 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 was the chairman of the Hongkong Association of Freight Forwarding Agents Ltd (HAFFA) for the years 1997 to 2000, the chairman of the Airfreight Committee of Hong Kong Shippers' Council for the years 1998 to 2000. Mr LAU is an advisory board member of Hong Kong Civil Aviation Department and a council member of the Hong Kong Logistics Development Council. He is also a committee member of the China Trade Committee and the Trade Related Services Committee of the Hong Kong Trade Development Council. He holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the Macau University). He is a fellow member of the Institute of Directors UK, a full member of the Chartered Institute of Management UK, a fellow member of the Chartered Institute of Marketing, a fellow member of the Institute of Freight Forwarders UK, and a full member of the Chartered Institute of Logistics and Transport. He has many 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 before founding the Group.

Mr David Chung Hung WAI

Aged 57, 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 39 years of experience in shipping lines, airlines and freight forwarding businesses.

Non-executive directors

Mr Peter James Holland RILEY

Aged 43, Mr RILEY is a non-executive director of the Company and joined the board after the Group's successful acquisition of Jardine Logistics in January 2003. Mr RILEY has worked for the Jardine Matheson Group of companies since 1993. He became a director of Jardine Matheson Limited in January 2001 and has responsibility for the Jardine Pacific business. Prior to joining Jardine, Mr RILEY worked for Kleinwort Benson and Price Waterhouse in London. He is a member of the Institute of Chartered Accountants in England and Wales.

Mr William Hugh Purton BIRD

Aged 58, is a co-founder of the Group together with Mr Anthony Siu Wing LAU and Mr David Chung Hung WAI. Mr BIRD is also a director of a number of other Group subsidiaries and associates. Mr BIRD was based in Hong Kong between 1982 and 1989, and since then he has been stationed in Singapore. Mr BIRD has 37 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 before founding the Group.

Biographical details of directors and senior management *(Continued)*

Non-executive directors *(Continued)*

Mr Christopher John David CLARKE

Aged 54, is the senior partner in Asia of Dibb Lupton Alsop, a leading international law firm and the legal adviser of the Company. He has over 29 years of experience as a solicitor in England and Hong Kong with extensive experience in corporate and commercial law. He was appointed to the Board of the Company in 1993 and was redesigned as a non-executive director of the Company in September 2004.

Independent non-executive directors

Mr David Hon To YU

Aged 56, was appointed to the Board of the Company in February 2002. He is a fellow of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr YU is a founder and director of Management Capital Limited, which specializes in direct investment and financial advisory activities and also on the boards of a number of listed companies and private companies in Hong Kong.

Mr Cheung Shing NG

Aged 42, was appointed to the Board of the Company in September 2004. He is the chairman and chief executive officer of Computer And Technology Holdings Limited, a listed company in Hong Kong, and is an honorary advisor of Information and Software Industry Association Limited. Mr NG graduated with a Bachelor of Computer Science (Honour) Degree from University of Manchester, U.K..

Ms Miriam Kin Yee LAU

Aged 57, was appointed to the Board of the Company in September 2004. She is the sole-practitioner of Messrs. Miriam Lau & Co., a solicitors' firm in Hong Kong. Ms LAU is a member of the Legislative Council of the Government of Hong Kong SAR.

Senior management

Mr John Kelly KING

Aged 52, joined the Group in 1982. He is a director of BALtrans Logistics (Hong Kong) Limited and is responsible for its air freight operations. He holds a Bachelor Degree in Social Science from the University of Toronto. He has 27 years of experience in the freight forwarding business.

Mr Wan Tat KWAN

Aged 54, 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 11 years of experience in airlines cargo business and 17 years of experience in freight forwarding business.

Biographical details of directors and senior management *(Continued)*

Senior management *(Continued)*

Mr James Kong Chiok LAU

Aged 44, joined the Group in 2003. He is the chairman of JLS Logistics (Taiwan) Limited as well as vice president of the Group responsible for the overall management of the Group's ocean business. He is a member of The Institute of Logistics and Transport, UK. He graduated from National Chiao-Tung University, Taiwan with a Bachelor Degree in Transportation and Engineering Management. He has over 21 years' extensive experience in total logistics and supply chain management.

Mr Raymond Wai Man LAW

Aged 49, joined the Group in 1983. He is a director of BALtrans Logistics (Hong Kong) Limited and is responsible for its sea freight operations. He holds a Bachelor Degree in Science from the University of Alberta, Canada. He has 21 years of experience in freight forwarding business.

Mr Hooi Chong NG

Aged 36, joined the Group in 2003. Mr NG is the Group Strategy Director responsible for BALtrans Group's strategic initiatives, mergers & acquisitions, investor and media relations, as well as legal and compliance matters. He is also the Company Secretary and Qualified Accountant of BALtrans Holdings Limited. He has many years of corporate finance experience in the capital markets and mergers and acquisitions in the region with leading investment banks. He is an associate of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants respectively. He holds a Bachelor of Law Degree from University of Leeds in the UK.

Mr Edmund Soon Nam NG

Aged 49, 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 25 years of experience in the freight forwarding business.

Mr Myles O'Brien

Aged 45, joined the Group in 1985. He is the chief executive officer and president of BALtrans Logistics Inc. in the US and is responsible for the Group's business development in the US. He holds a Master of Business Administration Degree from University of Bridgeport, the US. He has 20 years experience in the freight forwarding industry.

Mr Ernie Chak Chiu SO

Aged 54, joined the Group in 1996 as the managing director of Fond Express Logistics (HK) Limited in Hong Kong. He has 34 years of experience in the forwarding industry holding various executive positions.

Mr Eddie Beng Heng TAN

Aged 46, joined the Group in 1999. He is the Regional Managing Director for South East Asia and is responsible for the Group's business development. He holds a Master of Business Administration Degree in Finance from University of Leicester and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing, both in the UK. He has extensive experience in the integrated logistics and freight forwarding industry.

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.

Share Option Schemes

(a) The previous share option scheme

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

On 13th March 1997, nine senior management members of the Group were offered options to subscribe a total of 3,900,000 shares at an exercise price of HK\$0.8336 per share. The scheme was terminated on 28th September 2001. The options under the scheme were expired on 12th March 2003.

(b) The existing share option scheme

On 28th December 2001, the Company adopted a new share option scheme (the "2001 Share Option Scheme"). Details of the 2001 Share Option Scheme are as follows:

Purpose of the scheme	The 2001 Share Option Scheme is set up for the purpose of attracting and retaining quality personnel and other persons to provide incentive to them to contribute to the business and operation of the Group.
Participants of the scheme	The director may at their discretion grant options to the following eligible persons: <ul style="list-style-type: none">(i) Any director, employee or consultant of any member of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or(ii) Any discretionary trust whose discretionary objects include any director, employee or consultant of any member the Group or an Affiliate; or(iii) A company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or(iv) Any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the Directors from time to time to subscribe for Shares.

Share Option Schemes *(Continued)*

(b) The existing share option scheme *(Continued)*

Total number of shares available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the annual report

The maximum number of Shares in respect of which options may be granted under the 2001 Share Option Scheme and any other share options scheme(s) shall not exceed 10% of the share capital of the Company as at the date of the adoption of the scheme, i.e. 23,905,040 Shares ("the 10% limit") representing 7.93% of the issued share capital as at the date of this annual report. The remaining number of Shares available to be issued under the share option schemes is 9,505,040 Shares.

The 10% limit may be refreshed with the approval of the shareholders of the Company.

The Company may also seek separate shareholders' approval in general meeting to grant options beyond 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval is sought.

The maximum number of Shares which may be issued or issuable upon exercise of all outstanding options granted or yet to be exercised under the 2001 Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum entitlement of each participant under

The total number of Shares (issued and to be issued) in respect of which options may be granted under the 2001 Share Option Scheme and any other scheme(s) of the scheme the Company to any one grantee in any 12-month period shall not exceed 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval of the Shareholder of the Company has been obtained in accordance with the Listing Rules.

The period within which the securities must be taken up under an option

The period can be specified by the Directors, but in any event, not more than 10 years from the date of grant. Currently, all the options granted on 4th May 2004 will expire on 3rd May 2009.

The minimum period, if any, for which an option must be held before it can be exercised

The 2001 Share Option Scheme does not contain any provisions which specify such minimum period, but such period may be specified by the Directors.

Share Option Schemes (Continued)

(b) The existing share option scheme (Continued)

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purpose must be repaid

Option holders are not required to pay for grant of options.

The basis of determining the exercise price and

The price per Share payable on the exercise of an option equal to the highest of

- (i) the nominal value of the Shares;
- (ii) the closing price per share as stated in The Stock Exchange of Hong Kong Ltd's ("Stock Exchange") daily quotations sheet on the date of grant;
- (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

or where applicable of such price as from time to time adjusted pursuant to the New Option Scheme.

The remaining life of the scheme

The scheme will end on 27th December 2010, being 10 years after the adoption of the scheme by the Company on 28th December 2001.

Details of the share options outstanding as at 31st July 2004 which have been granted under the 2001 Share Option Scheme are as follows:

Name	Date of grant	Exercise price per share	Options held as at the date of grant	Options exercised during the year	Options cancelled/lapsed during the year	Options held at 31st July 2004
<i>Director</i>						
Mr Anthony Siu Wing LAU	4th May 2004	HK\$2.045	2,000,000	—	—	2,000,000
Mr David Chung Hung WAI	4th May 2004	HK\$2.045	2,000,000	—	—	2,000,000
			4,000,000	—	—	4,000,000
<i>Employees</i>						
The Group	4th May 2004	HK\$2.045	10,400,000	—	—	10,400,000
			14,400,000	—	—	14,400,000

Share Option Schemes (Continued)

(b) The existing share option scheme (Continued)

The above outstanding options can be exercised as follows:

- (i) Up to 25% thereof from the date of the 1st anniversary of the date of grant (i.e. as at 4th May 2005)
- (ii) Up to 50% thereof from the date of the 2nd anniversary of the date of grant (i.e. as at 4th May 2006)
- (iii) Up to 75% thereof from the date of the 3rd anniversary of the date of grant (i.e. as at 4th May 2007)
- (iv) Up to 100% thereof from the date of the 4th anniversary of the date of grant (i.e. as at 4th May 2008)

All the above share options will expire on 3rd May 2009.

(c) Valuation of the 2001 Share Option Scheme

Based on a report "Valuation of Share Option Scheme in accordance with Hong Kong Financial Reporting Standard 2" prepared by Watson Wyatt Hong Kong Limited on 13th October 2004, the fair value of the options granted under the 2001 Share Option Scheme are as follows:

Tranche	Exercise Period	Fair Value of Options (per share) HK\$	Number of Options as at the date of grant	Fair value HK\$
1	4th May 2005 to 3rd May 2009	0.571	3,600,000	2,057,000
2	4th May 2006 to 3rd May 2009	0.574	3,600,000	2,067,000
3	4th May 2007 to 3rd May 2009	0.565	3,600,000	2,034,000
4	4th May 2008 to 3rd May 2009	0.545	3,600,000	1,962,000
Total			14,400,000	8,120,000

Notes:

1. The valuation is based on the Black-Scholes option pricing model with the major assumptions that the expected dividend yield is 6% per annum, volatility of Company's share returns is 45% per annum and the employees will exercise if the share price is 100% above the exercise price. It is also assumed that the risk-free rate of interest is 3.09% per annum and the average expected life of option is 4 years.
2. The values of options are subject to a number of assumptions and the limitation of the model.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31st July 2004, the interests and short position of each director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company were and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Company as follows:

(a) Long positions in shares of the Company

Name of directors	Nature of interest	Number of ordinary shares of the Company beneficially held	Approximate percentage of long positions in shares to the issued share capital of the Company as at 31st July 2004
Mr Anthony Siu Wing LAU <i>(note 1)</i>	Trust interest	73,286,000	24.31%
Mr William Hugh Purton BIRD <i>(note 2)</i>	Corporate interest	49,591,200	16.45%
Mr David Chung Hung WAI	Personal interest	32,942,000	10.93%
Mr Christopher John David CLARKE	Personal interest	78,000	0.03%

Notes:

1. 73,286,000 shares were beneficially owned by Asian Rim Co. Ltd., whose shares are owned by the brother and brother-in-law of Mr Anthony Siu Wing LAU as the trustees of a discretionary trust of set up for the benefit of Mr Anthony Siu Wing LAU's family members
2. These shares were beneficially owned by Tropical Holding Investment Inc which is wholly owned by Mr William Hugh Purton BIRD and his wife.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation *(Continued)*

(b) Long positions in underlying shares of the Company — share options

Name of directors	Date of grant	Exercise price per share	Options held as at the date of grant	Options exercised during the year	Options lapsed during the year	Options held at 31st July 2004	Approximate percentage of long positions in shares to issued share capital of the Company as at 31st July 2004
Mr Anthony Siu Wing LAU	4th May 2004	HK\$2.045	2,000,000	—	—	2,000,000	0.66%
Mr David Chung Hung WAI	4th May 2004	HK\$2.045	2,000,000	—	—	2,000,000	0.66%
			4,000,000	—	—	4,000,000	1.32%

Saved as disclosed above and other than certain non-beneficial ordinary shares of the subsidiaries held in bare trust for the Group by Mr Anthony Siu Wing LAU and Mr William Hugh Purton BIRD, as at 31st July 2004, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

Apart from the 2001 Share Option Scheme disclosed above, at no time during the current year had any of the Company or its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

As at 31st July 2004, the following persons (other than a director or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares

Name	Number of shares	Nature of interest	Approximate percentage of issued share capital of the company as at 31st July 2004
Asian Rim Co. Ltd. <i>(note 1)</i>	73,286,000	Beneficial interest	24.31%
Jardine Asian Holdings Inc. <i>(note 2)</i>	60,300,100	Beneficial interest	20.00%
Jardine Pacific Holdings Limited <i>(note 2)</i>	60,300,100	Corporate interest	20.00%
JMH Investments Limited <i>(note 2)</i>	60,300,100	Corporate interest	20.00%
Jardine Matheson Holdings Limited <i>(note 2)</i>	60,300,100	Corporate interest	20.00%
Tropical Holding Investment Inc. <i>(note 3)</i>	49,591,200	Beneficial interest	16.45%

Notes:

1. Mr Anthony Siu Wing LAU is a director of Asian Rim Co. Ltd.
2. Mr Peter James Holland RILEY is a director of various companies within Jardine Matheson Group.
3. Mr William Hugh Purton BIRD is a director of Tropical Holding Investment Inc.

Directors' service and management contracts

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.

Continuing Connected Transactions

Throughout the year, the Group provided freight forwarding services to various associates of Jardine Asian Holding Inc. ("JAH"), a substantial shareholder of the Company, on normal commercial terms in the ordinary course of business, and received a total consideration of approximately HK\$24.7 million from associates of JAH in respect of such services provided. Besides, the Group paid to various associates of JAH a total consideration of approximately HK\$0.7 million for the use of their shipping agencies services.

Continuing Connected Transactions *(Continued)*

Pursuant to a waiver letter issued by the Stock Exchange, the above connected transactions could be exempt from reporting on each occasion as they arise if certain conditions were fulfilled, inter alia, the confirmation from independent non-executive directors that these transactions satisfied the following conditions:

1. These transactions have been entered on normal commercial terms or no less favorable to the Group than terms available to or from independent third parties (as the case may be);
2. These transactions have been conducted in the ordinary and usual course of business of the Group;
3. These transactions have been conducted in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company;
4. The maximum amount of turnover of freight forwarding transactions did not exceed HK\$45 million for the year ended 31st July 2004; and
5. The maximum amount of consideration payable for shipping agencies services transactions did not exceed HK\$10 million nor 3% of the audited consolidated net tangible asset value of the Group as at 31st July 2004.

The independent non-executive directors of the Company were satisfied that the above conditions had been fulfilled.

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 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 reconsidered 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 Institute of Certified Public 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. As at the date of this report, the Committee comprises two independent non-executive directors, Mr David Hon To YU and Mr Cheung Shing NG, and a non-executive director, Mr Peter James Holland RILEY. Three 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, have offered themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Anthony Siu Wing LAU

Chairman

Hong Kong, 25th November 2004