

CHAIRMAN'S STATEMENT



The new Management successfully turned the Group results from an operating loss of HK\$104 million for fiscal 2002 to an operating profit of HK\$10 million for fiscal 2003. Similarly the earnings attributable to shareholders, were turned from a net loss of HK\$129 million in fiscal 2002 to a net profit of HK\$13 million in the current year.

The past year has been a watershed for China Merchants DiChain (Asia) Limited (the "Company"). In August 2002, Farsight Holdings Ltd ("FHL") and DiChain Holdings Limited ("DHL"), the flagship Information Technology ("IT") company of China Merchants Group ("CMG"), injected HK\$54 million of new capital into the Company and became the controlling shareholder. The capital injection by DHL not only significantly strengthened the Company's financial position but also facilitated the new controlling shareholder and new Management to alter the fundamental core business strategy of the Company to concentrate upon the high-growth area of IT services. During the course of this transition, the Company under its new management is building upon its fundamental expertise with the objective of enhancing the long-term shareholder value.

Despite the challenges for the People's Republic of China (the "PRC") and also the IT industry in the past year, we have successfully restructured the Board and introduced seasoned management to the Company. With our commitment and focus on our new corporate strategy and long-term objectives, we have already managed to stabilize and enhance the Company's existing operations and are transitioning smoothly to the new business model.

BUSINESS OUTLOOK

Looking forward, the Company is ideally positioned to become one of the leading logistics platform operators in the PRC. Our Company's strengths include:

Strong IT expertise from parent

DHL, rated one of the top logistics-IT companies by IDC, currently offers a variety of IT solutions to more than 300 corporations and State-owned Enterprises in the PRC. The Company will build upon the IT knowledge-base of DHL through various joint-venture arrangements in the future.

Unique shareholder background

The major shareholder of DHL is red-chip conglomerate CMG. CMG is widely recognized for its solid reputation, and financial credibility for its sound industrial expertise; extensive business network; and strong financial foundation. Being the flagship IT company of CMG, our controlling shareholder, DHL is in a privileged position to establish joint venture businesses with local government agencies which will be enormously beneficial to the Company.

Seasoned management team

Our management team is comprised of experienced professionals and experts in logistics, operations, IT, financing and strategic planning which experience has been gained in both the PRC and overseas.

BUSINESS STRATEGIES

With a professional and efficient management team, our business strategies revolve around the following key areas:

Restructure existing businesses and improve financial position

We plan to dispose of the non-core businesses, retained as a legacy from Dransfield Holdings, in a controlled manner in order to gain maximum benefit, and within a reasonably early time frame. We will also further manage our costs through streamlining operations and headcount. Our longer-term financial objective is to generate adequate internal cash-flow to sustain our growth objectives.

Strengthen core business in IT services

Building upon our parent's technological know-how, we prepare to develop an IT services operations platform for the provision of Global Position System ("GPS") services in the PRC. According to the State Planning Council of the PRC, it is estimated that the GPS technology in the PRC will develop into an RMB10 billion market with a focus on proprietary GPS products and backbone enterprises.

Create new business model for logistics operating platform business

We have quite quickly successfully improved the performance of our existing assets in the logistics area, such as the Futian bonded warehouse, by significantly improving its utilization up to 70% presently. We plan to develop a logistics park investment operation platform which should become a new growth driver for the Company.

Develop business by cooperation, mergers and acquisitions

The multiple applications of our IT services platform can best be illustrated by the business model of the mobile phone operators in the PRC. In the beginning, all operators were merely sellers of mobile phones, but then they offered value-added services as competition increased. It is important for our Company to capture market share as fast as possible by installing more GPS installations in automobiles. The Company can then leverage the captive market share to provide value-added services through our IT services platform.

To achieve this goal, we plan to acquire top GPS manufacturers and leading software platform providers in the PRC, and to strategically join together with one of the largest mainland automakers and establish more operations platforms through joint ventures with the provincial governments.

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Consolidate internal and external resources to produce synergies

We plan to consolidate our internal technological know-how and external financial flexibility, through international capital markets. When our own business platform becomes successfully established, we will be able to attract the necessary further resources for business development and to maximize our investment returns.

OUR FUTURE

Looking back on the financial year 2002/03, we have made solid progress in a challenging environment by building upon the franchise and know-how of our parent company. The seamless execution by our professional management team has helped stabilise the operations and work towards the introduction of exciting new business growth areas.

Looking ahead, the PRC's government policy favours the development of proprietary IT services and logistics platforms. With the strong support from our parent Company coupled to our dedicated management team, we will embark on a fast-track for growth and profitability. The management of the Company strongly believes that we will increase shareholder value as we deliver on our business strategies in the coming years.

Fan Di

Chairman

Hong Kong, 21 July 2003