

PacificCMA
INCORPORATED

ANNUAL REPORT 2002



A COMPANY IN THE RIGHT PLACE...WITH THE RIGHT SOLUTIONS...AT THE RIGHT TIME.



Contents

Perspective on Pacific CMA 1

Letter to Shareholders 2

Conversation with Chairman 4

Operating Unit Profiles 6

Management's Discussion and Analysis 7

Consolidated Financial Statements 15

Notes to Consolidated Financial Statements 19

Independent Auditor's Report 30

Senior Management of Pacific CMA 31

Value Drivers 32

Corporate Information Inside Back Cover

On the cover:

Air freight represents more than two thirds of Pacific CMA's revenues. The company has several strategic relationships with carriers such as British Airways that enable it to move cargo worldwide in the the fastest possible time to meet customer needs.

Perspective on Pacific CMA

Pacific CMA Inc. is a global, non-asset-based freight forwarding/ logistics services company providing on time and intact delivery of goods, primarily through the ports of Hong Kong and New York.



We coordinate the shipping and the storage of raw materials, supplies, components and finished goods by air, sea, river, rail and road. We are capable of handling all types of cargo including garments on hangers, refrigerated cargo, hazardous materials as well as perishable goods. The company has more than 128 cargo agents stationed in 68 countries and 161 cities serving major gateways around the world.



The company’s strategy for the future is focused on both organic growth as well as growth through the acquisition of similarly minded companies with outstanding service and high levels of customer retention.



Pacific CMA...a company in the right place...with the right solutions...at the right time!

Letter to Shareholders



Dear Fellow Shareholders:

More than anything, a company is known by its people, and people are known by the company they keep. In this, our first annual report to shareholders, I am pleased to say that, by any measure, 2002 was a year of major accomplishments for Pacific CMA, and the people who keep this company strong and growing. Not since its founding in 1999 have so many positive developments in a single year had such a favorable impact on the firm.

Record Operating Results

During the year, Pacific CMA achieved record sales and earnings, entered into and completed programs of acquisition, expansion and disposition, prepared itself for movement off the Over the Counter Bulletin Board onto a trading exchange that would afford us fully listed status, and created the necessary financial offering documents to help fuel our strategic future growth.

It is my great pleasure to report to you that for the year ended December 31, 2002, total freight forwarding and logistics gross revenues climbed 284% to a record \$52,903,737, compared with \$13,788,479 realized in the same period last year.

Net income for the year was \$702,850, or \$.03 per share, on a fully diluted basis, compared with net income of \$174,950, or \$.01 per share, in 2001.

The major factors that contributed to these very positive results included:

- Completion of the acquisition on April 30, 2002, of an 81% interest in Airgate International Corp., a privately held, New York-based logistics and freight forwarder, vastly improving the company's airborne freight forwarding capabilities, and contributing the bulk of revenue growth for the year beginning in May, 2002. Airgate primarily handles import air and ocean shipments from the Far East and Southwest Asia to the United States.
- Expansion of the company's sales and marketing department.
- The addition of important new strategic partners in Shanghai China, Thailand, the United Arab Emirates, Dubai, India, Japan, Indonesia, Canada, San Francisco, Switzerland and Germany.
- The disposition of Sparkle Shipping, Godown, Wharf & Transp. Co., Ltd. From AGI (HK) on April 2, 2002, reflecting the company's intention to concentrate more resources on the international freight forwarding business, especially in Hong Kong, South China, the United States and Europe.

The lifeblood of our business is the attraction and retention of customers. We are constantly adding to those relationships, and accelerated the process during the recently completed year, again in large measure due to the addition of the superb Airgate subsidiary to our ranks beginning in May.

As our revenues grew rapidly during the year, so did our cost of forwarding, rising from \$11,054,263 in 2001 to \$45,005,074 in the 2002 year due to the organic growth of AGI and the combination of Airgate freight costs beginning in May 2002.

Gross margin for the year was 14.9%, compared with 19.8% in the prior year. Nevertheless, gross profit for the year increased 189%, from \$2,734,216 last year to \$7,898,663 in 2002.

Overall, revenues from airfreight operations for the year were up 269%, rising from \$9,870,536 in 2001 to \$36,392,050 in the 2002 period, the majority of that occurring in the final eight months of the year.

The garment industry is currently Pacific CMA's most important customer base, and our client list includes many familiar names, both to individual investors and the professional investment community as well. They include Estee Lauder, American Eagle Outfitters, Conair Corporation, Levi Strauss & Co., Steve Madden, Polo Jeans, Tommy Hilfiger, Ralph Lauren, Christian Dior, Urban Brands, Lucent and Loehmans.

All these clients have urgent shipping needs, and their decided preference is airfreight transportation. That demand continued strong in 2002, despite lower inventory levels in the first half of the year.

Another important development that favorably impacted 2002 results was the labor strike at ports across the Western United States that occurred in the last three months of the year. It prompted increased demand for airfreight services throughout the fourth quarter.

But the increased tonnage demand also triggered demand for higher levels of shipping space, just as the supply of available flight space was decreasing. The resulting impact of this classic supply-demand scenario: higher costs for space that had to be partially absorbed by the company, as clients expressed reluctance to absorb the full impact of rate increases. Nevertheless, even though the profit margin was cut, there was an overall 189% increase in gross airfreight profit for the year, as it rose to \$5,596,840.

Overall, net segment income for the airfreight operation increased 196% for the year, from \$1,063,055 in 2001 to \$3,150,136. Again, this increase in net income was driven principally by the combination of New York-based Airgate's revenues as well as higher revenue levels for the Hong Kong-based AGI Logistics group.

Revenues from sea freight operations, adjusted by \$552,494 for inter-company transactions, increased 333% to \$16,505,750, compared with \$3,814,375 in the year earlier period. Sea freight revenue before the adjustment reflected revenues of \$4,590,497 for the AGI group and \$12,467,747 for Airgate.

Increased revenue for the year reflected new customers and new markets, as well as the very profitable loose freight consolidation shipments to both Australia and the United States that increased during the year.

While sea freight gross profit margin of 14% in 2002 decreased from 21% in the prior year, there was an overall 191% increase in gross profit to \$2,309,279.

Overall, net segment income for sea freight operation increased 205%, from \$428,975 in 2001 to \$1,308,883 in the year 2002. Driving this gain was the increase in business from Airgate's operations as well as improved AGI group results.

Building for the Future

To continue the forward momentum of Pacific CMA will require not only solid growth from continuing operations, but the continued acquisition of companies that fit our corporate culture, and bring to our family of companies the strong commitment we have to excellence in all aspects of customer relations and ongoing daily operations.

Our organic growth will be driven by the establishment of new branch offices, both in the United States and in the Peoples Republic of China, as well as through a major marketing campaign through the Indian subcontinent, including India, Sri Lanka and Bangladesh.

We will seek to raise the needed capital to fund this growth through a variety of financial instruments that make sense for the company and its shareholders. We will not mortgage our future on questionable investments, but rather those that compliment our growth strategies. We have already received several strong signals of support from leading financial institutions that believe in our evolving role as one of the foremost freight forwarding companies that employ state-of-the-art logistics.

Having spent virtually my entire working career in this industry, I have never been more certain of the future, and the important role our company will play in it. For these reasons, I have no hesitation in saying to you that, more than ever, an investment in Pacific CMA is an investment in the future, and that our brief operating history, measured against all that is unfolding as the gates of global commerce open very wide, is but a prelude to the many exciting days that lie ahead for this company, and all those who believe in it. We hope you join us in the journey ahead, and welcome your company as we chart new patterns for progress in a rapidly changing world.

Sincerely,



Alfred Lam
Chairman

"...we have made the investments needed to position us for the changing tides of our global economy."

A Conversation With Pacific CMA Chairman Alfred Lam

Recently, transportation industry research analysts following Pacific CMA had an opportunity to be updated by its founder and chairman, Alfred Lam, on the company's near- and longer-term objectives and challenges. Their questions, and Mr. Lam's responses to them, are included in the summary that follows.

Q You started this company five years ago and have done relatively well so far. To what do you attribute this success, and is it sustainable?

A We started the company in 1998 as a private entity, secure in the belief that we had unparalleled relationships and the human resources needed to be a success. As we grew, we realized that as a public company we could accomplish much more. So we became a public company trading on the Over The Counter Bulletin Board in 2001, and recently we have taken steps to move the company off the OTC Bulletin Board to an exchange that offers fully listed trading advantages. We hope this will happen soon. We have grown dramatically, and we believe new recognition of this growth by the financial community will open up many new avenues of investment by institutions with a strong and demonstrated interest in the future of the freight forwarding industry, and its advanced logistical capabilities.

Q Where do you see the industry going in terms of growth and your role in it?

A As transportation management becomes ever more sophisticated, we have every confidence that companies will continue to turn to full service companies like ours that can provide turnkey operations. The ability to be responsible for every aspect of supply chain management is rapidly becoming a distinguishing characteristic of our business, as well as the key to our future growth.

Q Will it be a case of survival of the fittest?

A More than ever. Transportation and logistic service providers like Pacific CMA will not only be survivors, we will be among the most prosperous, because we have made the investments needed to position us for the changing tides of our global economy.

Q What do you see as the key factors driving this growth?

"...we see the next five years as a logical extension of the investments we have made in the first five, but we believe the actual potential levels of revenue will far exceed everyone's expectations."



A For openers, growth in world trade is one of the key factors determining growth in our logistics sector. And as world trade over the past several decades has continued to outpace global output, it has had a correspondingly strong impact on the growth patterns of companies in our sector. Then, too, the momentous events of November 2001, when China and Taiwan became part of the World Trade Organization, are also important harbingers of what's to come in the years ahead.

Q Presuming you are able to meet these challenges, what can investors expect in terms of operating results? Where do you see the company going in the next five years?

A For most companies, a five-year projection has become increasingly difficult. But given our stated mission of growing this company, both internally and through acquisition, we believe that unprecedented opportunities exist on a global basis. For us, in particular, the advantage of having strong operating presences in both New York and Hong Kong offer very competitive advantages. So we see the next five years as a logical extension of the investments we have made in the first five, but we believe the actual potential levels of revenue will far exceed everyone's expectations.

Q What is the key to not only keeping but also growing market share?

A With the increasing sophistication required in transportation management, it is a generally accepted reality that only those companies like Pacific CMA, that vigilantly keep up with state-of-the-art technology, will be successful in winning greater market share.

Q What are the gaiting factors you mention that these companies find so perplexing?

A Manufacturers and retailers both are grappling with increasingly complex supply chain management challenges. Companies like ours can respond to their needs with solutions that address rapidly changing issues such as freight patterns, increased world trade sourcing, continually growing just-in-time inventory systems, and endless demand for more creative customer fulfillment, and the ever present pressures to continually reduce costs.

“A significant part of our growth plan is focused on acquiring seasoned competitors ...who can help build our strategic growth with the same kind of strong clients and patterns of excellent service that have helped us reach our level of success.”

Q How do companies like Pacific CMA help these firms keep their focus?

A Beyond the traditional methods of transportation, more and more of those who can do the job, like Pacific CMA, have become providers of third-party logistics. In this fashion, we offer a supply chain that plans, implements and controls an efficient and effective flow and storage of goods and services from origin to point of consumption. In the process, we achieve superior customer service levels, enhance cost competitiveness, and improve productivity.

Q How has this attention to detail paid off for Pacific CMA?

A I think it would be fair to say that we are the envy of many of our competitors. We have always prided ourselves on providing a level of complete and thorough service that has enabled us to achieve an extremely high level of customer retention, reflecting our commitment to all of our valued clients, whether they have been with us for days, weeks or years.

Q Just how big is your industry sector?

A A leading trade publication covering the transportation industry estimates that freight transportation and related costs represented more than \$1 trillion in the U.S. in the year 2000 – more than 10% of its total economy. Another publication estimates the figure to be triple that amount on a global basis. The numbers are indeed daunting, as are the scenarios that need to be created to respond to the reality that these numbers are dated, and do not reflect the future

Q Given this expected growth, how will your industry respond?

A As one of the world’s oldest industries, freight forwarding has, over the years, become highly fragmented, and there will be a very significant level of consolidation occurring in the near future. A significant part of our growth plan is focused on acquiring seasoned competitors whom we respect, and who can help build our strategic growth with the same kind of strong clients and patterns of excellent service that have helped us reach our level of success.

“Our management strongly subscribes to the notion that the future is now, and if you are not sure about it, go out and invent it... by the year 2007, our goal is to have become a company with revenues of more than a half billion dollars.”

Q Are there any drawbacks when there is too rapid a period of consolidation?

A Very definitely. The industry has, in the past, seen far too many instances where companies did not plan ahead intelligently to manage higher levels of business. The inevitable outcome is that they literally have taken on more than they can handle, and inevitably their levels of service have been seriously compromised. But customers have learned from these often disappointing experiences. So they tend to recognize the capabilities of the freight forwarders that have clearly shown they understand their business, and are willing to make the extra effort to ensure timely and intact delivery of goods. Nothing succeeds like success, repeated over and over.

Q Where does Pacific CMA see its most significant opportunities for growth?

A As we have indicated on the cover of this, our first annual report to shareholders, Pacific CMA is truly a company in the right place, with the right solutions, and at the right time. That didn’t happen by accident. In truth, I have been preparing my entire working life in this industry for the opportunities that now are at hand, as have so many of our dedicated senior management and associates worldwide. With our strategic position as an American based company, our major operations center in Hong Kong, our technological advances and the positioning of our facilities in the middle of the fastest growing trade region in the world, we are ready to capitalize on a global basis, but especially as it relates to the powerful trading patterns of mainland China, whose exports climbed more than 22% last year.

Q Is there a mission statement that guides your actions, a goal to which you aspire?

A Very definitely. Our management strongly subscribes to the notion that the future is now, and if you are not sure about it, go out and invent it. And we have done just that, taking this company from a level of less than \$10 million in revenues in 1999 to more than \$50 million in the year just ended. And current prospects suggest that we will more than double that in the current year. Thereafter, our objective is to grow the company at a rate that will enable us to increase revenues by more than \$100 million a year. In other words, by the year 2007, our goal is to have become a company with revenues of more than a half billion dollars.

“We have always prided ourselves on providing a level of complete and thorough service that has enabled us to achieve an extremely high level of customer retention...”



Pacific CMA's Corporate Operating Structure

As a holding company, Pacific CMA's two main operating units are Hong Kong-based AGI Logistics (HK) Ltd. and New York-based Airgate International, Inc. AGI also maintains operations in Shanghai, as does Airgate in Chicago and San Francisco.

AGI has focused its development on international shipping via air and ocean transport. It does not own or operate any aircraft, ships, river barges or railroads itself, but rather utilizes its extensive network of international commercial and cargo lines to provide its customers with rapid transporting of goods. A variety of factors determine the mode of transportation, such as contents of shipment, departure time, available cargo capacity and cost.

If air transport is the desired mode of transit, AGI will pick up, or arrange for pick up, of a shipment at a customer's location and deliver it directly to the selected commercial carrier. That carrier delivers it to the chosen destination airport, shipping warehouse, ship or railway station. Through AGI's arrangements with trucking, shipping and rail companies, it provides door-to-door service throughout Southern China and Hong Kong.

AGI has an established airfreight operations office and leased warehouse in the Hong Kong Air Freight Forwarding Center. Adjacent to the airport, this lends additional convenience and cost-effectiveness. From this location, AGI coordinates the exporting of cargo to global ports including Europe, North American, the Indian subcontinent and Australia.

In the area of trucking, AGI is able to provide local pick-up and delivery of cargo, either by using its own fleet of radio-equipped trucks, or through subcontractors that provide similar services.

AGI also started to offer river freight service through small container boats in 1999. These feeder boats mainly serve customers in the Pearl River Delta Region. Similarly, AGI avails itself of a 24-kilometer rail link to export cargo from, and deliver cargo to, places along the Beijing-Guangzhou Railway and the Beijing-Jiulong Railway. The Shenzhen Ping Yan Railway is a regional railway that AGI also utilizes. It is connected with two major trunk lines, starting from the Ping Hu Station of Guangshen Railway in the north and Yantian Station at the south end. The line is 23 kilometers and has two stations, Yantian and Henggang.

Airgate International Corp., of which Pacific CMA became an 81% holder in May, 2002, was formerly a privately held New York-based freight forwarder established in 1990. Like AGI, it is a non-asset-based logistics services company.

The primary focus of Airgate is the importing of air and ocean shipments from the Far East and Southwest Asia market-places to the United States.

Airgate International has handled the supply and logistics systems for numerous Fortune 1000 companies. Its clients have ranged from traditional textile manufacturers to optical networking operators whose clients are located anywhere from South Africa to the island nation of East Timor.

Airgate provides a full range of air and ocean services. With daily consolidations to/from most points in Asia by air, and weekly consolidations to most points worldwide by ocean, it is there whenever needed.

The company also owns and operates its own bonded container station. This allows it to expedite the availability of merchandise.

Airgate specializes in the fashion/apparel industries. Among its clients are Tommy Hilfiger, Jones Apparel, Levi Strauss & Co., Conair Corporation, American Eagle Outfitters, Urban Brands, Warnaco, Jordache, Gloria Vanderbilt, G-III, Brylane and the Wet Seal.

Airgate utilizes all-cargo, chartered aircraft with guaranteed space allowing it, along with AGI, to provide lift capacity from Hong Kong whenever needed.

With offices in key U.S. gateways such as operational headquarters in New York and also in Chicago, Airgate's coverage is unsurpassed. In addition to its own offices, it maintains a global network of exclusive agents that help enhance its growth.

Airgate is on call 24 hours a day, every day, to better serve its clients.



Management's Discussion and Analysis of Financial Condition and Results of Operations

This section contains forward-looking statements that are, by their nature, subject to risks and uncertainties. These forward-looking statements include, without limitation, statements relating to our company's operations, economic performance, financial condition, growth and acquisition strategies, investments, and operation plans. Any such statements that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "believe", "expect", "intend", "anticipate", "may", "will", "should", "expects", "plans", "anticipates", "estimates", "predicts", "potential", "continue", "projects" or the negative or other variations or comparable terminology or derivatives thereof denote forward-looking statements. These statements are only predictions and by their nature involve substantial risks and uncertainties, many of which are beyond control. Thus, actual results may differ materially from those expressed in, or implied by, such forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no obligation to publicly update any of the forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon Pacific CMA Inc.'s consolidated financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, based on historical experience, and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following critical accounting policies rely upon assumptions, judgments and estimates and were used in the preparation of our consolidated financial statements:

Recognition of Cost of Forwarding

The billing of cost of forwarding is usually delayed. As a result, we must estimate the cost of purchased transportation and services and accrue an amount on a load-by-load basis in a manner that is consistent with revenue recognition. Such estimate is based on past trends, and on the judgment of management. Historically, upon completion of the payment cycle (receipt and payment of transportation bills), the actual aggregate transportation costs are not materially different than the accrual. However, in any case in which the actual cost varies significantly from the accrual, a revision to the accrual would be required.

Accounting for Income Taxes

In preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions where we operate. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent that we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance, we must include an expense within the tax provision of the statement of income in each period, in which the allowance is increased.

Significant judgment is required in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance against our deferred tax assets. In the event that actual results differ from these estimates, or the estimates are adjusted in future periods, then we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations. Based on our current financial projections, we currently believe that we will realize 100% of our deferred tax asset.

Valuing Long-Lived Assets and Goodwill

We assess the impairment of identifiable long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying amount may be impaired. Factors that we consider when evaluating for possible impairment include the following:

- Significant under-performance relative to expected historical or projected future operating results;



- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and
- Significant negative economic trends

When determining whether the carrying value of long-lived assets and goodwill is impaired based upon the existence of one or more of the above factors, we determine the existence of an impairment by comparison of the carrying amount of the asset to expected future cash flows to be generated by the asset. If such assets are considered impaired, the impairment is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. As of December 31, 2002, we record goodwill approximately \$2.7 million, intangible amounted to approximately \$2.5 million and long-lived assets, consisting primarily of net property, plant and equipment, totaled \$352,931. There has been no indication of impairments to our long-lived assets as of December 31, 2002.

As required by SFAS No. 142, goodwill and intangible assets with indefinite lives are to no longer be amortized, but rather be tested at least annually for impairment. This pronouncement also requires that intangible assets with definite lives to be amortized over their respective lives to their estimated residual value and reviewed for impairment accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". On April 30, 2002, we acquired 81% of the common stock of Airgate International Corporation, a privately held New York based freight forwarder. As required by SFAS No. 142, we allocated the purchase price to the assets, liabilities and goodwill acquired, based on the fair value at the date of acquisition. We recorded \$2.86 million of intangible assets with finite lives (customer relationships) and \$2.68 million in goodwill associated with this acquisition. Intangible customer relationships are amortized over a period of five years while goodwill is not to be amortized but rather tested annually for impairment. Airgate's results of operations for the period from May 1, 2002 to December 31, 2002 and its financial condition as of December 31, 2002 are reflected on our condensed consolidated financial statements of Pacific CMA, Inc. as of December 31, 2002. All significant intercompany balances and transactions have been eliminated in consolidation.

OVERVIEW

The following discussion is applicable to the Company's financial condition and results of operations for the years ended December 31, 2002 and December 31, 2001.

Pacific CMA, Inc. (Pacific CMA) does not directly carry on any business activities. Through its Hong Kong based subsidiary,

AGI Logistics (HK) Ltd. (AGI), and its New York based subsidiary, Airgate International Corp. (Airgate), Pacific CMA facilitates and provides Supply Chain Management Solutions, Contract Logistics Services and International Freight Forwarding Services.

Its wholly-owned subsidiary, AGI Logistics (HK) Ltd. (AGI), operates an integrated logistics and freight forwarding business which is based in Hong Kong, and which primarily handles delivery of goods in South China and Hong Kong to overseas countries, mainly the Far East region and the US. The principal services provided by AGI are airfreight forwarding, ocean freight forwarding, and warehousing. In the Far East region, Mainland China is the target market for AGI Group expansion.

The business of AGI was first established in August 1998, and now consists of its own operations, as well as those of its subsidiaries. On January 1, 2001, its Hong Kong incorporated subsidiaries included Sparkle Shipping, Godown, Wharf & Transp. Co., Ltd. (Sparkle) and Guangzhou Huasheng Int'l Forwarding Ltd. (GZ Huasheng), and AGI Logistics (Shenzhen) Ltd. (AGI (Shenzhen)), which was incorporated in The Peoples Republic of China. On June 14, 2002, GZ Huasheng was renamed as Guangdong Springfield Logistics Services Ltd. (GD Springfield). AGI (Shenzhen) and Sparkle were disposed of by AGI Group on May 11, 2001 and April 2, 2002, respectively, in conjunction with a decision by AGI to concentrate on the international freight forwarding business. The business activities of Sparkle were concentrated on local feeder voyages and trucking operations along the Jujiang Delta Area of Mainland China, and it was determined that Sparkle would need to purchase its own boats and trucks to maintain its competitive position. As a result, its business operations diverged from the Group's non-asset based strategic plan. AGI Group elected to concentrate its resources and investments on operations of AGI HK and GD Springfield in order to seek to improve the tonnage performance in Hong Kong, South China, the U.S. and Europe.

On April 30, 2002, Pacific CMA completed the acquisition of control of Airgate, a privately held New York-based freight forwarder that was established in 1990. Airgate is a non-asset based logistics services company. Pacific CMA intends to continue the operations of Airgate in substantially the same manner as they were conducted prior to the acquisition. Airgate primarily handles import air and ocean shipments from the Far East and Southwest Asia to the U.S. Pacific CMA International, LLC, a Colorado limited liability company that is wholly-owned by the Company, acquired 81% of the issued and outstanding common stock of Airgate.

The following discussion concerning results of operations and liquidity and capital resources of Pacific CMA, Inc. is based solely upon the business operations which are carried on by the group, consisting of its wholly owned subsidiary AGI and its subsidiaries, and the results of Airgate from May to December 2002.

Significant new developments that occurred during the year ended December 31, 2002 included the following:

1. Additional sales personnel were recruited to expand the sales and marketing department to make a team of 20 sales representatives.
2. We entered into agreements with new agency partners in Shanghai China, Thailand, U.A.E., Dubai, India, Japan, Indonesia, Canada, San Francisco, Switzerland and Germany.
3. Sparkle Shipping, Godown, Wharf & Transp. Co., Ltd., the subsidiary of AGI (HK), was disposed of on April 2, 2002. Sparkle was principally engaged in business activities of feeder voyages and trucking operations along the Juijiang Delta Area of Mainland China. At the beginning of 2002, Sparkle was affected by business environmental changes in this region and was forced to purchase its own feeder boats and trucks in order to continue its operations. Since the company's strategic plan is to act as a non-asset based freight-forwarding provider, it elected to dispose of its interest in Sparkle.
4. Through Pacific CMA International, LLC, a wholly-owned limited liability company, the company acquired an 81% interest in a subsidiary, Airgate International Corp., a New York based logistics and freight forwarder. The closing of the transaction was effective as of April 30, 2002.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002 COMPARED WITH
YEAR ENDED DECEMBER 31, 2001

BUSINESS SEGMENT OPERATING RESULTS

Freight forwarders are compensated on a transactional basis for the movement of goods and provision of related services to their customers. Therefore, our revenue is derived from our freight forwarding services based upon the rates that we charge our customers for the movement of their freight from origin to destination. The carrier's contract is with us, not with our customers. We are responsible for the payment of the carrier's charges, and we are legally responsible for the shipment of the goods. We are responsible for any claims for damage to the goods while in transit. In most cases, we receive reimbursement from the carriers for any claims. Since many shippers do not carry insurance sufficient to cover all losses, we also carry

insurance to cover any unreimbursed claims for goods lost or destroyed in the event of a total loss. Gross revenue represents the total dollar value of services we sell to our customers. Our costs of transportation, products and handling include the direct cost of transportation, including tracking, rail, ocean, air and other costs. We commit to pay for space with shippers prior to receiving committed orders from our customers. We act principally as a service provider to add value and expertise in the procurement and execution of these services for our customers. Therefore, our gross profits (gross revenues less the direct costs of transportation, products, and handling) are indicative of our ability to source, add value and resell services and products that are provided by third parties.

Total revenue for the year ended December 31, 2002 increased 283.68% as compared with the year ended December 31, 2001, from \$13,788,479 in 2001 to \$52,903,737 in 2002. The increase in revenue was due to (i) organic growth of AGI and (ii) inclusion of Airgate's revenues commencing May 1, 2002, excluding the inter-company transactions among the group companies.

Revenue derived from operations of AGI increased 67.2% as compared to 2001. This significant organic growth is the result of the following factors:

- An increase in routed freight traffic from existing agency partners;
- An increase in the number of new overseas agency partners;
- An increase in the number of sales and marketing staff;
- Improvements in the agency network that enabled AGI to secure new freight business
- Positive effects of the West Coast dock workers' strike in the U.S.
- Exploring new markets in U.A.E., Dubai, India, Japan, Singapore, Australia and Thailand

The revenue of Airgate represented approximately 70% of our total revenue for 2002. Airgate focuses its operations on the import of goods from the Far East. Airgate currently leases its own bonded warehouse where deconsolidation of cargo is performed. In order to explore new markets in the Midwest, Airgate established a new office in Chicago, Illinois in June, 2002.

During the year, our cost of forwarding increased 307.13%, from \$11,054,263 in 2001 to \$45,005,074 in 2002. This increase in costs was due to the organic growth of AGI and the inclusion of Airgate freight costs commencing in May 2002.

Gross margin for the year decreased from 19.83% in 2001 to 14.93% in 2002 and gross profit (revenue minus cost of



forwarding) for the year increased 188.88%, from \$2,734,216 in 2001, to \$7,898,663 in 2002. Overall, we realized a net income of \$702,850 in 2002 compared to a net income of \$174,950 in 2001.

The decrease in overall gross margins was mainly due to lower gross margins attributable to existing Airgate operations. However, since completing the Airgate acquisition, the Company has been working to improve Airgate's profit margin through synergies between it and AGI. Airgate is also putting great effort into finding new customers with higher profit margins, and has increased its marketing staff in an effort to develop new markets with higher gross margins.

The results of operations for each segment are as follows:
AIRFREIGHT OPERATIONS: Revenue from airfreight operations increased 268.69%, from \$9,870,536 in 2001 to \$36,392,050 in 2002. Airfreight revenue for AGI Group was \$18,458,518, while airfreight revenue for Airgate was \$25,710,558, and offsetting inter-company transactions totaled \$7,777,026. The volumes of airfreight were improved in 2002 compared with 2001. Our main customer base is in the garment industry, which prefers airfreight to sea freight transportation. In the aftermath of the September 11 attacks, inventory levels in the U.S. were generally low in the first half of 2002. As a result, demand for urgent shipments increased during that period, especially from the garment industry. Another important event during 2002 was the labor strike in the West Coast ports of the U.S. from October to December. This strike led to an increase in demand for airfreight services during the last quarter of the year. The tonnage increase caused the demand for shipment space to increase as well, which led a rise in the cost of space. However, rate adjustments to clients were limited to moderate levels since customers were reluctant to absorb the whole magnitude of the rate increase. Costs for the airfreight forwarding operations increased 287.91%, from \$7,938,785 in 2001 to \$30,795,210 in 2002. Airfreight cost attributable to AGI Group was \$15,396,879, while airfreight cost attributable to Airgate was \$23,114,955, and offsetting inter-company costs were \$7,716,624. As a result of the increase in cost for space, the gross profit margin decreased from 19.57% in 2001 to 15.38% in 2002. However, as a result of increased revenues, overall gross profits increased 189.73% to \$5,596,840.

Total segment overhead attributable to the airfreight operation increased from \$868,696 in 2001 to \$2,446,704 in 2002. Details regarding the increase in overhead expenses are discussed below under the section title "Other Operating Expenses."

Overall, net segment income for the airfreight operation increased 196.33% for the year, from \$1,063,055 in 2001 to \$3,150,136 in 2002. The increase in net income was mainly the result of the inclusion of Airgate's business and the improvement in the results of the AGI Group.

Sea freight operation: Revenue from sea freight operations increased 332.72%, to \$16,505,750 in 2002 from \$3,814,375 in 2001. Sea freight revenue for AGI Group was \$4,590,497, while sea freight revenue for Airgate was \$12,467,747, and offsetting inter-company transactions were \$552,494. The increase in revenue for the year was due to inclusion of Airgate revenues and to revenues derived from new customers in new markets. Profitable loose freight consolidation shipments to Australia and the U.S. were increased during the year. Costs for the sea freight forwarding operation increased 370.06%, from \$3,020,131 in 2001 to \$14,196,471 in 2002. Sea freight costs attributable to AGI Group were \$3,383,618, while costs attributable to Airgate were \$11,342,135, and inter-company costs were \$529,282. As a result, the gross profit margin decreased from 20.82% in 2001 to 13.99% in 2002. However, as a result of increased revenues, overall gross profits increased 190.75% to \$2,309,279.

Total segment overhead attributable to the sea freight operation was increased by 173.88%, from \$365,269 in 2001 to \$1,000,396 in 2002. Overall net income for the sea freight operation increased 205.12%, from \$428,975 in 2001 to \$1,308,883 in 2002. The increase in net income was mainly the result of inclusion of Airgate's operations and the improvement in the results of the AGI Group.

OTHER OPERATING EXPENSES SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses increased 165.94% to \$6,151,826 in 2002 from \$2,313,228 in 2001. The following factors caused the increase in expenses:

Overseas traveling: Expenses related to overseas traveling increased 152.29%, from \$74,148 in 2001 to \$187,071 in 2002. The increase in travel expenses was mainly due to costs attributable to and an increased number of trips to the US for meetings with investment bankers and discussions related to capital raising efforts.

Salaries and allowance: Salaries and allowances for the period increased from \$1,049,468 in 2001 to \$2,935,449 in 2002. The salaries and allowances attributable to the AGI Group were \$1,478,237, while those attributable to Airgate were \$1,457,212

for the year of 2002. There were increased numbers of employees for the sales and marketing department and the accounting department during the year 2002.

DEPRECIATION AND AMORTIZATION

Significant increase in depreciation and amortization was due to amortization of intangible customer relationship in connection with the acquisition of Airgate. During 2002, \$381,333 was amortized.

NON-OPERATING INCOME INTEREST AND OTHER INCOME

Interest and other income increased from \$68,699 in 2001 to \$151,520 in 2002. This was due to the interest income from loan receivables and management fee income received from third parties.

INTEREST EXPENSES

Interest expenses increased to \$96,420 in 2002 from \$24,123 in 2001. The increase in interest expenses is due primarily to the bank trust receipts (invoice financing), bank loans and bank overdrafts involved.

OTHER RISK FACTORS

The company's ability to provide service to its customers is highly dependent on good working relationships with a variety of entities such as airlines, steamship carriers and governmental agencies. Unlike other U.S. logistics companies, the company bears a significant amount of inventory risk. We pay for the guarantees we put up to the carriers, even if we do not have any customer cargo to fill the space. We are not able to ask our clients to make these guarantees and accordingly, we assume all of the risks.

The company has freight forwarders liability insurance that covers it against claims from clients. We take responsibility for the cargo and we are responsible for its safe delivery. Therefore we can be held responsible and incur losses if anything goes wrong.

Changes in governmental deregulation efforts, regulations governing the company's products, and/or the international trade and tariff environment could affect the company's business in unpredictable ways.

Management believes the company's business has not been significantly or adversely affected by inflation in the past. Historically, the company has generally been successful in passing cost increases to its customers by means of price increases. However, competitive market place conditions could impede the company's ability to pass on future cost increases to customers,

and could erode the company's operating margins.

The company continues to assess and improve financial controls. The company has negotiated successfully with the banks to get credit facilities for future financial needs.

Additional risks and uncertainties include:

1. Governmental deregulation efforts, regulations governing the company's products and/or the international trade and tariff environment adversely affecting our ability to provide services to customers.
2. Competitive marketplace conditions impeding the ability of the company to pass future cost increases to customers.
3. Dependence of the company on international trade resulting from favorable worldwide economic conditions.
4. Dependence of the company on retention and addition of significant customers.
5. The ability to recruit and retain skilled employees in a tight labor market.
6. The ability of the company to develop and implement information systems to keep pace with the increasing complexity and growth of the company's business.
7. Following the September 11 attacks, airlines charged additional costs such as a fuel surcharge, insurance surcharge and war risk surcharges. These surcharges are generally passed through to shippers and consignees, which increases their shipping costs. As a result of these increased costs, the shipping incentive of customers is reduced, and the rate of canceling orders is increased.

LIQUIDITY AND CAPITAL RESOURCES

We have historically generated substantial cash from operations. We generated \$1.2 million, \$0.1 million, and \$1 million of cash flow from operations in 2002, 2001, and 2000. This was due to net income generated, adjusted primarily for non-cash expenses, and the net change in accounts receivable and accounts payable.

Net cash(used in)/provided by investing activities was (\$561,393), (\$445,241) and \$85,439 in 2002, 2001 and 2000 respectively. During 2002, we used approximately \$613,000 in the transaction for the acquisition of Airgate. We also used approximately \$219,000 in acquiring plant and equipment to improve our office facilities.

Additional deposits totaling approximately \$1,200,000 were pledged to banks to generate additional bank facilities, and are classified as Restricted Cash. This increase was offset by the inception of other loans of \$71,000 and bank overdrafts of \$743,000.

We had working capital of approximately \$731,000 at December 31, 2002 (inclusive of restricted cash of \$2.6 million), compared to working capital of approximately \$3.2 million at December 31, 2001. This decrease in working capital resulted from approximately \$1.5 million of net current liabilities of Airgate we took into account in the acquisition of Airgate, and the \$600,000 purchase money loan (\$300,000 of which is classified as due to directors and \$300,000 of which is classified as debt maturing within one year) issued in the Airgate acquisition which becomes payable within twelve months to the original 81% owners of Airgate. We believe that we will be able to rely on cash flow from operations for short-term liquidity and believe that we have adequate liquidity to satisfy our material commitments for the twelve months following December 31, 2002. We also believe that we can obtain additional liquidity through further negotiation of short-term loans from banks to satisfy our short-term funding needs if any.

Pacific CMA, Inc. intends to continue its expansion plans through a mixture of organic growth and acquisitions. Future acquisitions will focus on companies that serve as freight forwarders in key markets or offer services (such as customs brokerage) that complement the Group's existing services. We intend to achieve organic growth through the establishment of new branch offices in the U.S. and joint ventures in the People's Republic of China, and through a major marketing campaign through the Indian subcontinent, including India, Sri Lanka and Bangladesh. In order to achieve this goal, we will be required to raise a certain amount of capital. To a certain extent, these activities will have a significant impact on both liquidity and capital resources.

We have finance lease obligations of \$75,944 as of December 31, 2002, of which \$38,124 is repayable within one year and \$37,820 is repayable after 1 year.

As of December 31, 2002, we have \$900,000 in loan payables to Mr. Scott Turner (our director) and Mr. Thomas Zambuto in respect of the consideration for the acquisition of Airgate International Corp. Pursuant to the stock purchase agreements, these \$900,000 in loans bear interest on a per annum basis at the rate of the prime rate plus 1.5%, and are repayable in four quarterly installments. The loans are secured by a pledge of the Airgate shares acquired in this transaction. Messrs Turner and Zambuto waived the interest payment due on December 31, 2002.

The amount due to directors totaling \$411,667 is comprised of \$387,884 due to Mr. Turner, which includes an outstanding balance of \$450,000 representing partial consideration for the acquisition of Airgate International Corp., after netting off a loan receivable of \$62,116 due from him to a subsidiary. It also includes \$23,783 due to another director. Debts maturing within one year include a loan payable of \$450,000 due to Mr. Zambuto representing partial consideration for the acquisition of Airgate and a \$29,607 business tax loan.

We also entered into various lease commitment for office premises and warehouses in the United States, Hong Kong and China. The total outstanding lease commitments under non-cancellable operating leases are \$456,261 as of December 31, 2001, and \$1,347,780 as of December 31, 2002, respectively. As of December 31, 2002, the current portion of these commitments of \$387,362 is payable within one year.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENT

From time to time, we entered into various contractual obligations, which may be summarized as follows:

Payments Due by Period

Contractual Obligations	Total	Less than 1 year	1-3 years	4 - 5 years	Thereafter
	\$	\$	\$	\$	\$
Finance Lease Obligations	75,944	38,124	37,820	-	-
Secured Loan	900,000	900,000	-	-	-
Business Profit Tax Loan	29,607	29,607	-	-	-
Operating Leases	1,347,780	387,362	417,969	404,282	138,167
Cargo Space Commitments	3,400,000	3,400,000	-	-	-
Material Employment Agreements	1,497,000	499,000	998,000	-	-
	7,250,331	5,254,093	1,453,789	404,282	138,167

We have entered into written agreements with various sea and airfreight carriers committing to take up a guaranteed minimum amount of cargo space each year. As of December 31, 2002, the amount outstanding for such commitments to be entered in 2003 was approximately \$3.4 million.

In connection with the acquisition of Airgate International Corporation, we also entered into three-year employment agreements dated April 30, 2002, with Mr. Turner and Mr. Zambuto, respectively, as described in a Current Report on Form 8-K filed on May 14, 2002. Under these agreements, we agreed to pay them an annual base salary of \$249,500 per annum commencing January 1, 2003, and for each year thereafter during the term of their employment agreements.

As of December 31, 2002, our commercial commitments may be summarized as follows:

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period Less than 1 year
	\$	\$
Overdraft	742,914	742,914
Invoice Trust Receipt	1,456,788	1,456,788
Guarantees by bank	282,053	282,053

As of December 31, 2002, to finance our working capital our available banking facilities were approximately \$5,500,000, mainly obtained from creditworthy commercial banks in Hong Kong. As of that date, the amount of banking facilities used was \$2,500,000, which was mainly comprised of approximately \$743,000 of overdraft, \$282,000 of banks guarantees for airfreight payment to airlines, and \$1,457,000 of invoice trust receipts which were included in trade payables. While these banks are not obligated to advance any further funds to us, we believe that absent any significant downtrend in business, such source of credit will continue to be available to us.



OUTLOOK

We believe the following trends may have a positive impact on our future results of operation and our financial conditions:

Outsourcing of non-core activities: companies are increasingly outsourcing freight forwarding, warehousing and other supply chain activities so that they may focus on their respective core competencies. Companies are increasingly turning to freight forwarders and logistics and supply chain management providers to manage their purchase orders and timely delivery of products at a lower cost and a greater efficiency than if undertaken directly.

Globalization of trade: as barriers to international trade are gradually reduced, international trade will similarly increase. In addition, companies are increasingly sourcing supplies and raw materials from the most competitive suppliers throughout the world. This form of sourcing should generally lead to increased volumes of trade.

Increased need for time-definite delivery: the demand for just in time and other time definite delivery has increased as a result of the globalization of manufacturing, greater implementation of demand-driven supply chains, the shortening of product cycles and the increasing value of individual shipments.

A shift towards a decreasing number of global supply chain management providers: companies are decreasing the number of freight forwarders and supply chain management providers with which they interact so that they might transact with a limited number of providers who are familiar with their requirements, processes and procedures and can function as long-term partners. As such, freight forwarders that are globally integrated and are able to provide a full complement of services, including pick-up and delivery, shipment via air, sea and land, warehousing and distribution and customs brokerage, are well positioned to gain from this shift.

Hong Kong:

South China, including Hong Kong and the Pearl River Delta Region Area, is one of the most active transportation nodes in the world. The region has been growing dramatically in the past twenty years owing to the open market policy put forth by the PRC Government since 1978. Overseas investment, especially from Taiwanese and Japanese conglomerates in the region, has resulted in a significant increase in the number of factories and manufacturing plants in the region. The result

has been a significant increase in demand for freight forwarding services, with the need to import raw materials into the region and export finished products out of the region. (Hong Kong Year Book)

In 1999, more than 50% of the cargo into and out of the Pearl River Delta Region was handled through Hong Kong International Airport and Kwai Chung Container Terminal. In response to the rapid growth of the region, other transportation hubs around Hong Kong, such as Macau, Zhuhai, Shenzhen and Guangzhou are gradually becoming key parts of the transport web. (Hong Kong Census and Statistical Department)

The Hong Kong International Airport in Chep Lap Kok has been reported to be one of the largest cargo centers in the world. Since the beginning of the airport's fiscal year in April 2002, cargo traffic had risen by 24.7% as compared with the same period in the previous year. Going forward, the Hong Kong Airport Authority is formulating measures to improve cargo handling services, which include building eight new cargo stands bringing the total to 21, enlarging Hong Kong International's cargo catchment area, and developing logistic services on the airport island. (Hong Kong Shipping Gazette Airfreight Fax News, 17 May 2002)

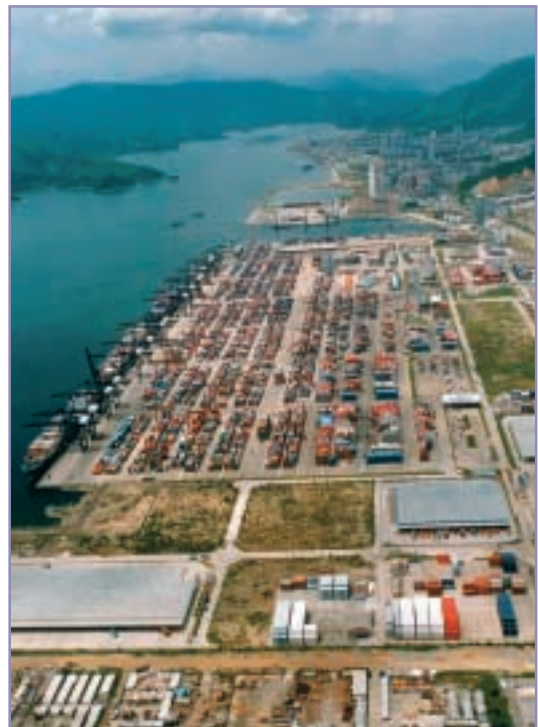
United States:

Airfreight continues to show strength in the U.S., albeit at a decelerating rate. International revenue ton-mile performance for June was up 0.1% year over year in June, the first month of positive year over year growth after 14 months of declines (including 7 straight months of double-digit decline). In fact, airfreight volumes (gross revenues) from Asia to North America and Asia to Europe was particularly strong year over year in the third and fourth quarters of 2002, due primarily to continued strength in Chinese manufacturing activity and, to a lesser extent, accelerated shipping ahead of the work stoppage at the West Coast ports. Meanwhile, ocean freight volumes (gross revenue) from Asia to North America and Asia to Europe are also expected to be strong year-over-year. However ocean freight gross yields will be down year over year as capacity began to tighten meaningfully at the end of the second quarter. In spite of this, strong expectations for year over year increases in ocean freight gross revenues should more than offset expected year over year deterioration in ocean freight yields which should lead to ocean freight net revenue year over year growth of at least high single digits. ("3Q:02 Earnings Preview - Airfreight/Logistics" Bear Stearns, 16 October 2002)

PRC:

China is to phase out most restrictions on foreign companies distributing goods inside its borders within four years of accession to the WTO. The rising levels of domestic affluence brought on by China's WTO entry, which needs only ratification, will also fuel greater demand for production and distribution of high-value and medium value goods, driving the need for a more flexible supply chain. This would present an unrivalled level of opportunity for all airfreight movers if they could meet the challenge. With the value of China's exports and imports exceeding \$475 billion in 2001, according to government figures, and the consumption of higher value goods becoming a trend, air transport, particularly express, is expected to become more evident within manufacturers' distribution networks. (China set to drop restraints; FedEx expects easier path for foreign air cargo companies after WTO entry, South China Morning Post, 1 October 2001)

Based on the above, we anticipate that our volume of business will increase significantly in 2003 over that of 2002.



Pacific CMA, Inc.

Consolidated Balance Sheets

For the years ended December 31, 2002, 2001

	Note	2002 \$	2001 \$
ASSETS			
Current assets			
Cash and cash equivalents		441,657	841,472
Restricted cash		2,655,589	1,450,896
Trade receivables, net of allowance for doubtful accounts of \$137,290		6,464,141	3,217,839
Deposits, prepayments and other debtors		1,116,007	414,476
Loan receivable	2	249,600	435,385
Deferred tax asset	4	82,350	-
Tax refundable		-	24,453
Total current assets		11,009,344	6,384,521
Property, plant and equipment, net	3	361,578	305,679
Goodwill	1	2,683,768	4,605
Intangible asset, net	1	2,478,667	-
Deferred tax asset	4	2,613	12,815
Loan receivable	2	66,224	-
Certificate of deposit		50,000	-
Total assets		16,652,194	6,707,620
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Bank overdrafts		742,914	-
Trade payables		7,855,965	2,683,250
Accrued charges and other creditors		509,316	182,880
Due to directors		411,667	3,675
Obligations under finance leases	5	38,124	33,548
Debts maturing within one year	6	479,607	232,667
Income tax payable		240,845	-
Total current liabilities		10,278,438	3,136,020
Deferred tax liability	4	580,747	-
Obligations under finance leases	5	37,820	19,961
Total liabilities		10,897,005	3,155,981
Commitments and Contingencies	11		
Stockholders' equity			
Common stock with no par value		1,551,865	51,165
Additional paid-in capital		1,786,718	1,786,718
Other comprehensive loss		(8,325)	(8,325)
Retained earnings		2,424,931	1,722,081
Total stockholders' equity		5,755,189	3,551,639
Total liabilities and stockholders' equity		16,652,194	6,707,620



Pacific CMA, Inc.

Consolidated Statements of Operations

For the years ended December 31, 2002, 2001 and 2000

	Note	2002 \$	2001 \$	2000 \$
Freight forwarding income		<u>52,903,737</u>	<u>13,788,479</u>	<u>14,169,226</u>
Operating expenses				
Cost of forwarding		(45,005,074)	(11,054,263)	(11,290,129)
Selling and administrative expenses		(6,151,826)	(2,313,228)	(1,822,369)
Depreciation and amortization		<u>(589,523)</u>	<u>(200,887)</u>	<u>(107,296)</u>
Total operating expenses		<u>(51,746,423)</u>	<u>(13,568,378)</u>	<u>(13,219,794)</u>
Income from operations		<u>1,157,314</u>	<u>220,101</u>	<u>949,432</u>
Non-operating (expense) income				
Interest and other income		151,520	68,699	64,725
Interest expense		(96,420)	(24,123)	(5,304)
Gain on disposal of a subsidiary		11,390	19,729	-
Deferred offering cost written off		-	(40,545)	-
Settlement of litigation	1	<u>(257,500)</u>	<u>-</u>	<u>-</u>
Net non-operating (expense) income		<u>(191,010)</u>	<u>23,760</u>	<u>59,421</u>
Income before income taxes		<u>966,304</u>	<u>243,861</u>	<u>1,008,853</u>
Provision for income taxes	4	<u>(263,454)</u>	<u>(68,911)</u>	<u>(167,655)</u>
Net income		<u>702,850</u>	<u>174,950</u>	<u>841,198</u>
Other comprehensive loss				
Foreign currency translation adjustments		<u>-</u>	<u>(5,413)</u>	<u>(695)</u>
Comprehensive income		<u>702,850</u>	<u>169,537</u>	<u>840,503</u>
Net income per share				
Weighted average number of shares outstanding				
Basic		<u>21,564,122</u>	<u>20,884,975</u>	<u>18,166,120</u>
Diluted		<u>21,738,188</u>	<u>20,999,828</u>	<u>18,232,787</u>
Net income per share of common stock				
- Basic and diluted		<u>\$0.03</u>	<u>\$0.01</u>	<u>\$0.05</u>

Pacific CMA, Inc.

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 2002, 2001 and 2000

	Ordinary stock		Additional paid-in capital	Other comprehensive loss	Retained earnings	Total
	Number	\$	\$	\$	\$	\$
Balance as of January 1, 2000	17,000,000	3,400	647,193	(2,217)	705,933	1,354,309
Stockholders' contributions	-	-	1,280,405	-	-	1,280,405
Issue of common stock	3,000,000	600	-	-	-	600
Issue of common stock	400,000	80	39,120	-	-	39,200
Net income	-	-	-	-	841,198	841,198
Translation adjustments	-	-	-	(695)	-	(695)
Balance as of December 31, 2000	20,400,000	4,080	1,966,718	(2,912)	1,547,131	3,515,017
Issue of common stock	533,300	8,250	-	-	-	8,250
Stock grant	215,750	38,835	-	-	-	38,835
Return to treasury	(1,000,000)	-	(180,000)	-	-	(180,000)
Net income	-	-	-	-	174,950	174,950
Translation adjustments	-	-	-	(5,413)	-	(5,413)
Balance as of December 31, 2001	20,149,050	51,165	1,786,718	(8,325)	1,722,081	3,551,639
Issue of common stock on acquisition of subsidiary	1,700,000	1,360,000	-	-	-	1,360,000
Issue of common stock	50,000	12,500	-	-	-	12,500
Stock grant	523,400	128,200	-	-	-	128,200
Net income	-	-	-	-	702,850	702,850
Balance as of December 31, 2002	<u>22,422,450</u>	<u>1,551,865</u>	<u>1,786,718</u>	<u>(8,325)</u>	<u>2,424,931</u>	<u>5,755,189</u>

Pacific CMA, Inc.

Consolidated Statement of Cash Flows

For the years ended December 31, 2002, 2001 and 2000

	2002	2001	2000
	\$	\$	\$
Cash flows from operating activities:			
Net income	702,850	174,950	841,198
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	589,523	200,887	107,296
Loss on disposal of property, plant and equipment	6,773	15,040	4,114
Net gain on disposal of a subsidiary	(11,390)	(19,728)	-
Compensation cost	70,075	38,835	-
Deferred offering costs written off	-	40,545	-
Provision for doubtful accounts	77,511	-	-
Changes in working capital:			
Tax refundable	24,453	(23,699)	(1,510)
Deposit received	-	(12,363)	12,382
Trade receivables	(1,369,229)	(470,033)	(561,423)
Deposits, prepayments and other debtors	(437,816)	(381,174)	39,336
Trade payables	1,283,370	702,498	568,849
Accrued charges and other creditors	114,449	386	66,519
Income tax payable	240,845	(89,439)	(42,359)
Deferred income taxes	(74,204)	(27,288)	7,876
Net cash provided by operating activities	<u>1,217,210</u>	<u>149,417</u>	<u>1,042,278</u>
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	(218,980)	(174,412)	(221,389)
Acquisition of a subsidiary	(613,618)	-	(69,055)
Loan receivables	210,135	(435,385)	-
Disposal of a subsidiary	96,070	149,888	-
Proceeds from sales of property, plant and equipment	15,000	14,668	7,447
Certificate of deposit	(50,000)	-	-
Due from other related parties	-	-	368,436
Net cash (used in) provided by investing activities	<u>(561,393)</u>	<u>(445,241)</u>	<u>85,439</u>
Cash flows from financing activities:			
Restricted cash	(1,204,693)	(1,423,188)	(1,299)
Bank overdrafts	742,914	-	-
Inception of obligation under finance leases	64,103	81,795	-
Capital element of finance leases payments	(31,785)	(106,155)	(22,471)
Advances (to) /from a director	(423,712)	1,765	54,023
Borrowing of short-term debts	71,391	232,667	-
Repayments of short-term debts	(274,452)	-	-
Deferred offering costs	-	-	(225,364)
Additional paid-in capital	-	-	1,319,525
Issue of common stock	-	8,250	680
Net cash (used in) provided by financing activities	<u>(1,056,234)</u>	<u>(1,204,866)</u>	<u>1,125,094</u>
Net (decrease) increase in cash and cash equivalents	(400,417)	(1,500,690)	2,252,811
Exchange differences	602	(3,654)	(45)
Cash and cash equivalents at beginning of year	<u>841,472</u>	<u>2,345,816</u>	<u>93,050</u>
Cash and cash equivalents at end of year	<u>441,657</u>	<u>841,472</u>	<u>2,345,816</u>

The financial statements should be read in conjunction with the accompanying notes.

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Stock transactions with Infinity Ventures

Pursuant to an agreement (the "Stock Purchase Agreement") dated December 4, 2001 entered into between InfinityVentures Net, Inc. (the "Selling Shareholder") and the Company, 1,100,000 shares of common stock were issued to the Selling Shareholder at an initial purchase price of \$0.0001 per share on December 19, 2001. These 1,100,000 shares were issued in a stock purchase transaction which was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 or Rule 505 or 506 promulgated thereunder. The Stock Purchase Agreement contained several rights and obligations between the parties which have the effect of changing the actual purchase price for the shares. These included a "Call Right" which allowed the Company to repurchase the shares unless the Selling Shareholder contributed additional capital to the Company, a "Release Right" which allowed the Selling Shareholder to cancel the Company's call right by contributing additional capital, and a "Put Right" which required the Company to repurchase a portion of the shares in certain circumstances.

In conjunction with the Stock Purchase Agreement, pursuant to a private placement prospectus filed on December 26, 2001, the Selling Shareholder intended to offer these 1,100,000 shares of common stock at market price. However, there was a dispute with the Selling Shareholder concerning the issue of whether the shares, with the understanding that they would be subject to the Company's call right, remained valid even though it was not possible to get the registration statement for the shares approved by the SEC. The SEC would not accept the structure of the transaction unless the Selling Shareholder was legally obligated to pay the additional consideration. The Selling Shareholder refused to agree to an unconditional obligation to pay for the shares so it was not possible to get the registration statement approved for the transaction. For this reason, a "Request for Withdrawal" for the private placement was filed on February 8, 2002. These 1,100,000 shares of common stock were then cancelled and the initial purchase price of \$110 was returned to the Selling Shareholder.

For accounting purposes as of December 31, 2001, these 1,100,000 shares of common stock were excluded from the outstanding capital stock of the Company to reflect the substance of the whole transaction.

In June 2002, the Company commenced an action against the Selling Shareholder in the United States District Court for the Southern District of New York in which the Company sought, among other things, to compel the return of 1,100,000 shares of common stock that had been issued to the Selling Shareholder. This action was settled in November 2002 by the Selling Shareholder's return of 1,050,000 of such shares, the Company's payment to the Selling Shareholder of \$172,500 and the agreement to permit the Selling Shareholder to keep 50,000 shares. As a result, for accounting purposes, these 50,000 shares of common stock were deemed as issued and outstanding from November 2002. The fair value of the shares issued of \$12,500 was expensed during the year. Total amount of \$257,500, including the amount of \$185,000 mentioned above and legal fees of \$72,500, is included as a settlement of litigation.

Acquisition of a major subsidiary in 2002

On April 30, 2002, the Company completed the acquisition of control of Airgate International Corporation ('Airgate'), a privately held New York-based freight forwarder which was established in 1990. Airgate is a non-asset based logistics services company. Its assets consist primarily of current assets including cash, accounts receivable, prepaid expenses and the like. The Company intends to continue the operations of Airgate in substantially the same manner as they were conducted prior to the acquisition.

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

1. ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

Acquisition of a major subsidiary in 2002 (Continued)

The acquisition was structured as a stock purchase transaction. Pacific CMA International, LLC, a Colorado limited liability company which is wholly-owned by the Company, acquired 81% of the issued and outstanding common stock of Airgate from the two principal shareholders of Airgate, Scott Turner ('Mr. Turner') and Thomas Zambuto ('Mr. Zambuto'). Mr. Turner has been a director and officer of the Company since December, 2000.

The cost of the 81% controlling interest in Airgate comprised cash consideration of \$1,500,000, of which \$300,000 has been paid and \$1,200,000 is payable in installments and collateralized by 81% of Airgate's shares, and the issuance of 1,700,000 shares of the Company's common stock. The purchase price was determined solely through negotiations among the parties.

Cash consideration

The Company paid the \$300,000 cash portion of the purchase price out of its internal resources. The financed portion of the purchase price consists of two promissory notes, each of which is in the original principal amount of \$600,000. The notes bear interest at a variable rate equal to the prime rate plus 1.5%, and are payable in four equal installments on September 30, 2002, February 28, 2003, July 31, 2003 and December 31, 2003. The notes may be repaid in whole or part at any time without penalty.

Stock consideration

On May 21, 2002, an aggregate of 1,700,000 shares of common stock was issued at a price of \$0.8 per share, which was determined by the average price of the Company's common stock shortly before and after the announcement of the Airgate acquisitions. These shares are used to finance the partial consideration of the acquisition of the subsidiary and they are valued at approximately \$1,360,000.

The shares which were issued as part of the purchase price were issued in reliance upon exemptions from registration under state and federal law. Such shares constitute 'restricted securities' as that term is defined in Rule 144 under the Securities Act of 1933.

The transaction was recorded using the purchase method of accounting. The results of operations for Airgate are included in the consolidated financial statement since the date of acquisition. Assets and liabilities were recorded based on fair values. The cost of purchased businesses in excess of net identified tangible and intangible assets acquired (goodwill) is accounted for under the provisions of FASB Statement No. 142 'Goodwill and Other Intangible Assets'.

Goodwill represents the excess of acquisition cost over the current fair value of identifiable Airgate assets at the time of purchase. These identified net assets include (i) a non-contractual customer relationship intangible asset of \$2,860,000 that is recorded at cost and will be amortized on a straight-line basis over its estimated useful life of 5 years and (ii) a net deferred tax liability of \$572,000.

The following tables disclose: a) unaudited condensed consolidated balance sheet of Airgate as of April 30, 2002 prior to the acquisition, b) the calculation of goodwill and c) the cash payments made for the acquisition during the year:

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

1. ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

Acquisition of a major subsidiary in 2002 (Continued)

a) Unaudited condensed consolidated balance sheet as of April 30, 2002 prior to the acquisition
Airgate International Corporation

Assets	\$
<i>Current assets</i>	
Trade receivables	2,210,292
Deposits, prepayment and other debtors	34,951
Due from directors	<u>164,440</u>
<i>Total current assets</i>	<u>2,409,683</u>
Property, plant and equipment, net	<u>86,945</u>
Total assets	<u>2,496,628</u>
Liabilities and stockholders' equity	
<i>Current liabilities</i>	
Bank overdraft	13,618
Trade payables	4,106,069
Accrued charges and other creditors	233,008
Note payable	<u>155,701</u>
Total liabilities	<u>4,508,396</u>
<i>Stockholders' deficit</i>	
Common stock with no par value	20,000
Additional paid-in capital	116,200
Accumulated losses	<u>(2,147,968)</u>
<i>Total stockholders' deficit</i>	<u>(2,011,768)</u>
Total liabilities and stockholders' deficit	<u>2,496,628</u>

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001

1. ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

Acquisition of a major subsidiary in 2002 (Continued)

b) <i>Calculation of goodwill</i>	\$
Total acquisition cost	<u>2,960,000</u>
Net current liabilities	(2,098,713)
Property, plant and equipment, net	<u>86,945</u>
Net liabilities acquired	<u>(2,011,768)</u>
Non-contractual customer relationship intangible asset acquired	2,860,000
Deferred tax liability	<u>(572,000)</u>
Other identified net assets acquired	<u>2,288,000</u>
Goodwill	<u>2,683,768</u>
c) <i>Cash payment made during the year</i>	\$
Initial cash paid	300,000
First installments for each promissory note paid	300,000
Bank overdraft acquired	<u>13,618</u>
Cash outflow from the acquisition of Airgate	<u>613,618</u>

The following unaudited pro forma information assumes the Airgate acquisition occurred as of the beginning of each period presented. The unaudited pro forma information is provided for informational purposes only. It is based on historical information and does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations of the Company.

	2002	2001
	\$	\$
Revenue	<u>60,300,126</u>	<u>38,202,272</u>
Net income (loss)	<u>1,541,329</u>	<u>(556,145)</u>
Net income (loss) per share of common stock		
-Basic	<u>0.07</u>	<u>(0.03)</u>
-Diluted	<u>0.07</u>	<u>(0.03)</u>

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

1. RESTATEMENT OF FINANCIAL STATEMENTS

Subsequent to the issuance of the Group's 2002 consolidated financial statements, management determined that the financial statements for 2002 required restatement due to the recognition of a non-contractual customer relationship intangible asset at the date of acquisition of Airgate.

The Airgate acquisition occurred on April 30, 2002, shortly after the required implementation date of SFAS No. 141 and SFAS No. 142. At the time of the transaction, the Company made a diligent attempt to apply the provisions of SFAS No. 141. It determined that it did not have a legal-contractual relationship with its customers. Further, it did not believe that its relationship with its customers met the 'separability' criterion. However, the Company understands that in adopting SFAS 141, practice has evolved which considers a broader concept of customer relationship intangibles. Accordingly, the management believes that a portion of the purchase price of Airgate should be assigned to a non-contractual customer relationship intangible asset with its corresponding deferred tax liability recognized in accordance with SFAS No. 109.

The restatement is attributable only to the recognition of a non-contractual customer relationship, its amortization charges as well as the corresponding tax benefits. The restatement reduced the Group's 2002 net income by \$352,733 from \$1,055,583 or \$0.05 per share, as originally reported, to \$702,850, or \$0.03 per share. Operating expenses and provision for income taxes for 2002 presented herein have been restated.

2. LOAN RECEIVABLE

A loan receivable amounting to \$237,000 (2001: \$320,000) is due from a business partner. The amount is collateralized by the personal guarantee of a director of the borrower, bears interest at 8.5% per annum and is repayable on or before December 31, 2003 pursuant to the loan extension agreement dated May 30, 2002. Considering the past payment history of this business partner, no allowance for uncollectibility is considered necessary as of December 31, 2002.

The remaining amount of \$78,824 is due from Mr. Zambuto (ex-shareholder of Airgate), it is uncollateralized, interest free and with annual repayments of approximately \$12,600 commencing from December 31, 2002 until fully repaid.

3. PROPERTY, PLANT AND EQUIPMENT, NET

	2002	2001
	\$	\$
Office equipment	287,837	180,390
Furniture and fixture	253,434	255,181
Motor vehicles	<u>441,061</u>	<u>204,804</u>
	982,332	640,375
Less: Accumulated depreciation	<u>(620,754)</u>	<u>(334,696)</u>
Net book value	<u>361,578</u>	<u>305,679</u>

As of December 31, 2002, the cost and accumulated depreciation of property, plant and equipment held under finance leases amounted to \$140,288 (2001: \$114,917) and \$54,993 (2001: \$47,666) respectively.

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

4. INCOME TAXES

(a) Income before income taxes provision was taxed under the following jurisdictions:

	2002	2001	2000
	\$	\$	\$
USA	(531,455)	-	-
Hong Kong	<u>1,497,759</u>	<u>243,861</u>	<u>1,008,853</u>
	<u>966,304</u>	<u>243,861</u>	<u>1,008,853</u>

(b) The income tax expense in different jurisdictions is comprised of the following:

	2002	2001	2000
	\$	\$	\$
Current:			
Federal	37,400	-	-
State and local	<u>36,497</u>	<u>-</u>	<u>-</u>
	73,897	-	-
Hong Kong	<u>263,161</u>	<u>96,199</u>	<u>159,780</u>
Current income tax expense	<u>337,058</u>	<u>96,199</u>	<u>159,780</u>
Deferred:			
Federal	(52,749)	-	-
State and local	<u>(20,855)</u>	<u>-</u>	<u>-</u>
	(73,604)	-	-
Hong Kong	<u>-</u>	<u>(27,288)</u>	<u>7,875</u>
Deferred income tax (benefit) expense	<u>(73,604)</u>	<u>(27,288)</u>	<u>7,875</u>
	<u>263,454</u>	<u>68,911</u>	<u>167,655</u>

The Group is subject to income taxes on income arising in or derived from the tax jurisdictions in which it is domiciled and operates and, accordingly, it is subject to statutory federal income tax and Hong Kong profits tax respectively.

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

4. INCOME TAXES (Continued)

(c) Net deferred tax asset is comprised of the following:

	2002	2001	2000
	\$	\$	\$
USA			
Amortization of intangible asset arising on business combination	(1,115,400)	-	-
Net operating loss carryforwards	597,427	-	-
Compensation cost	<u>19,576</u>	<u>-</u>	<u>-</u>
	(498,397)	-	-
Hong Kong			
Other timing differences	<u>2,613</u>	<u>12,815</u>	<u>-</u>
	(495,784)	<u>12,815</u>	<u>-</u>
Disclosed in the consolidated balance sheet:			
Deferred tax asset:			
Current portion	<u>82,350</u>	<u>-</u>	<u>-</u>
Non-current portion	<u>2,613</u>	<u>12,815</u>	<u>-</u>
Net deferred tax liability – non-current portion	<u>(580,747)</u>	<u>-</u>	<u>-</u>

As of the date of acquisition, the acquired subsidiary has net operating loss carried forward of \$1,429,000 ('NOL'). As of December 31, 2002, the Group had federal and state net operating loss carryforwards of approximately \$1,306,000 that expire between 2018 and 2022. While the use of these NOLs is restricted subject to the provisions of Internal Revenue Code Section 382, the Group anticipates fully utilizing these carryforwards. The calculation of deferred tax asset was based on an effective rate at the balance sheet date.

The identification of intangible asset arising on the acquisition of Airgate has also given rise to a corresponding recognition of deferred tax liability. The calculation of the tax effect on the unamortized intangible asset at the balance sheet date was based on an effective rate as at that date.

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

4. INCOME TAXES (Continued)

(d) In respect of the USA operations, a reconciliation of the income tax benefit to the amount computed by applying the statutory federal income tax rate to income before income tax benefit is summarized below:

	2002	2001	2000
	\$	\$	\$
USA			
Amounts computed at statutory federal rate	(176,337)	-	-
State and local income taxes, net of federal benefit	36,497	-	-
Tax credit carryforwards generated	(67,560)	-	-
Non-deductible expenses included in operating and non-operating expenses	108,768	-	-
Effective tax rate differential on deferred income taxes	98,505	-	-
Others	420	-	-
	<u>293</u>	<u>-</u>	<u>-</u>

(d) A reconciliation of the income tax provision to income taxes computed using the Hong Kong statutory income tax rate is summarized below:

	2002	2001	2000
	\$	\$	\$
Hong Kong			
Income before income taxes	1,497,759	243,861	1,008,853
Hong Kong statutory tax rate	<u>16%</u>	<u>16%</u>	<u>16%</u>
Tax at Hong Kong statutory rate	239,641	39,017	161,416
Underprovision in prior years	4,005	-	-
Permanent differences on tax computation			
- tax losses unlikely to be relieved in the foreseeable future	-	30,382	6,272
- non-deductible expenses	24,170	3,248	6,838
- non-taxable income	<u>(4,655)</u>	<u>(3,736)</u>	<u>(6,871)</u>
Income tax provision	<u>263,161</u>	<u>68,911</u>	<u>167,655</u>

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

5. **OBLIGATIONS UNDER FINANCE LEASES**

	2002	2001
	\$	\$
Payable during the following period:		
Within one year	43,405	39,045
Over one year but not exceeding two years	23,825	18,376
Over two years but not exceeding three years	<u>18,305</u>	<u>4,818</u>
Total minimum lease payments	85,535	62,239
Less: amount representing interest	<u>(9,591)</u>	<u>(8,730)</u>
Present value of net minimum lease payments	<u>75,944</u>	<u>53,509</u>

6. **DEBT MATURING WITHIN ONE YEAR**

Debt maturing within one year represents short-term loans and are summarized as follows:

	Weighted-average <u>interest rates</u>	Outstanding debts maturing <u>within one year</u>
	%	\$
As of December 31, 2001	5.97	<u>232,667</u>
2002		
- Bank loans	5.125	29,607
- Other loan payable	-	<u>450,000</u>
		<u>479,607</u>

The interests on bank loans were calculated at money market rates. These loans were collateralized by directors' personal guarantees.

The other loan payable was the consideration payable in respect of the acquisition of a new subsidiary and was collateralized by the subsidiary's shares. It was interest-free and repayable on February 28, 2003, July 31, 2003 and December 31, 2003.

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

7. PLEDGE OF ASSETS

As of December 31, 2002, the Group had pledged the following assets:

- (a) Restricted cash deposits of \$2,655,589 (2001: \$1,450,896) in respect of general banking facilities granted by bankers.
- (b) Shares in the newly acquired subsidiary (representing 81% controlling interest) to the sellers in respect of the consideration payable to them for the acquisition of the subsidiary.

8. BANKING FACILITIES

As of December 31, 2002, to finance its working capital the Group's available banking facilities were approximately \$5,564,000 mainly obtained from creditworthy commercial banks in Hong Kong. As of that date, the total amount of banking facilities utilized was \$2,481,754 (2001: \$592,149). This was made up of (i) about \$742,914 (2001: Nil) of overdrafts; (ii) about \$1,456,787 (2001: \$444,711) of invoice trust receipts which are included in trade payables; and (iii) about \$282,053 (2001: 147,438) of bank guarantees for granting credit facilities to a subsidiary for airfreight payment.

9. DISTRIBUTION OF PROFIT

In the opinion of management, any undistributed earnings of the Company and its subsidiaries will be reinvested indefinitely.

10. RETIREMENT PLAN

The Group did not operate any retirement plan before December 2000. Following the implementation of the Mandatory Provident Fund ("MPF") in Hong Kong with effect from December 2000, the Group operates a MPF plan for its Hong Kong employees. The assets of the MPF are held separately from those of the Group in a provident fund managed by an independent trustee. The Group began to make contributions to the MPF in January 2001. The Group has incurred pension expenses of \$64,116 during the year ended December 31, 2002.

The Group's subsidiaries in the USA do not have any retirement plan in place as of December 31, 2002.

Pacific CMA, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2002, 2001 and 2000

11. COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

The Group rent office space, warehouse and certain office equipment under non-cancelable operating leases. The following table summarizes these approximate future minimum lease payments in effect as of December 31, 2002:

	\$
2003	387,362
2004	224,798
2005	193,171
2006	197,423
2007	206,859
Thereafter	<u>138,167</u>
Total	<u>1,347,780</u>

Rent expense under operating leases for the years ended December 31, 2002, 2001 and 2000 was approximately \$333,592, \$248,376, and \$190,709 respectively.

Cargo space commitments

The Group has entered into written agreements with various carriers pursuant to which the Group is committed to utilize a guaranteed minimum amount of cargo space each year. As of December 31, 2002, the minimum amount of such cargo space to be utilized in 2003 was approximately \$3,400,000.

12. DISPOSAL OF A SUBSIDIARY

On April 2, 2002, the Group sold all of the issued and outstanding shares of stock of its wholly owned subsidiary, Sparkle Shipping, Godown, Wharf & Transp. Co. Limited ('Sparkle') to an unaffiliated party for consideration of \$589,744.

The Group received \$58,974, 10% of total purchase price at closing the remaining purchase price is payable as follows: (1) \$265,385 is payable in four quarterly installments of \$66,346 commencing from July 1, 2002 and (2) \$265,385 is payable by two equal installments within last two quarters of 2003. After the disposal of Sparkle, its sea forwarding operations were handled by other subsidiaries of the Company through its agents in Mainland China. Therefore, the disposition of Sparkle was not deemed to be a discontinued operation. In connection with this transaction, the Company recognized a gain of \$11,390.

For detailed notes for the Company's organization and its financial operations please refer to Form 10KSB that the Company filed with the SEC.

Independent Auditors' Report

To the Board of Directors and Stockholders of Pacific CMA, Inc.

We have audited the accompanying consolidated balance sheets of Pacific CMA, Inc. and its subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2002 and 2001 and the results of their operations and cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(#) to the Financial Statements, the accompanying Consolidated Balance Sheet as of December 31, 2002 and the related Consolidated Statements of Operations, Stockholders' equity and cash flows for the year ended December 31, 2002 have been restated.

Moores Rowland
Chartered Accountants
Certified Public Accountants

Hong Kong
April 9, 2003 , except for Note 1(#), as to which the date is May 26, 2003

Senior Management of Pacific CMA, Inc.

Alfred Lam, 49, is the Chairman of Pacific CMA, Inc. and the founder of AGI Logistics, Ltd. He is responsible for corporate strategy, strategic planning, and the overall management and administration of the company. Mr. Lam holds a Bachelors Degree in Business Administration from the Chinese University of Hong Kong, and has more than 27 years of freight forwarding experience, along the way has establishing solid and longstanding relationships with airlines, shipping lines, customers, and overseas agents. Prior to assuming his position of running Pacific CMA, Mr. Lam was the chairman of a publicly listed freight forwarding company in Hong Kong.



Scott Turner, 48, is the co-founder and President of the company's Airgate International operations in New York. He has more than 27 years of experience in the freight forwarding industry.



Kaze Chan, 36, is Pacific CMA's Chief Operating Officer and the company's general manager. He oversees all freight activities in Hong Kong, China, Europe, and North America. Mr. Chan is also responsible for the company's operations and overall strategic plan. Prior to joining the company, he held senior management positions in Northwest Cargo Corporation.



Henrik M. Christensen, 47, is an Executive Vice President of the company, and has more than 29 years of shipping and logistics experience in Denmark, England, Africa, and Hong Kong. He also holds the prestigious title of Fellow of the United Kingdom's Institute of Freight Forwarders.



Value Drivers Analysts Believe Make Pacific CMA a Good Investment:

- Pacific CMA's extensive operational center, based in Hong Kong, is strategically positioned to take advantage of the very rapid growth in trade that has emerged in the South China basin.
- *The rising trading power of China has been especially important for transportation companies, and it now trails only the United States, Japan, Germany and France.*
- In the freight forwarding industry, speed and efficiency are mission critical factors for customers, and PCCM not only compares quite well with competitors but also is able to offer customers a more "personalized" level of service that translates into repeat business. For example, the company's Airgate operating unit enjoys a 98% client retention rate.
- *Pacific CMA has developed key associations that guarantee clients door-to-door services in virtually every country.*
- PCCM has a broad customer base that includes department stores, distributors, manufacturers and trading companies. Among the company's customers are: American Eagle Outfitters, Tommy Hilfiger, Jones Apparel, Levi Strauss & Co., Conair Corporation, Urban Brands, Warnaco, Jordache, Gloria Vanderbilt, G-III, Brylane and The Wet Seal.
- *The company's current business strategy includes an aggressive plan of expansion that includes the opening of additional branch offices, both in the United States and Asia, and the possibility of acquiring compatible logistics operations.*
- Management has plans to expand its existing sales force by hiring additional sales representatives with established customer bases.
- *In the coming year, the financial situation for the company will significantly improve, with revenues estimated to grow to as much as \$100 million.*

Corporate Information

Directors: Alfred Lam – Chairman of the Board
& Executive Director

Scott Turner – Executive Director

Louisa Chan – Non-executive Director

Henrik M. Christensen – Executive Director

Kaze Chan – Executive Director

Officers: Alfred Lam – Chairman of the Board & CEO

Scott Turner – President, Airgate International

Henrik M. Christensen – Executive Vice President

Kaze Chan – Executive Vice President

Daisy Law – Chief Financial Officer

Rango Lam – Executive Secretary

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Auditor

Moores Rowland

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Phone: (852) 2909 5555

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Transfer agent

Corporate Stock Transfer

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Denver, CO 80209

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Corporate Contact

Henrik M. Christensen, Executive Vice President

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PacificCMA
INCORPORATED



A COMPANY IN THE RIGHT PLACE...WITH THE RIGHT SOLUTIONS...AT THE RIGHT TIME.

