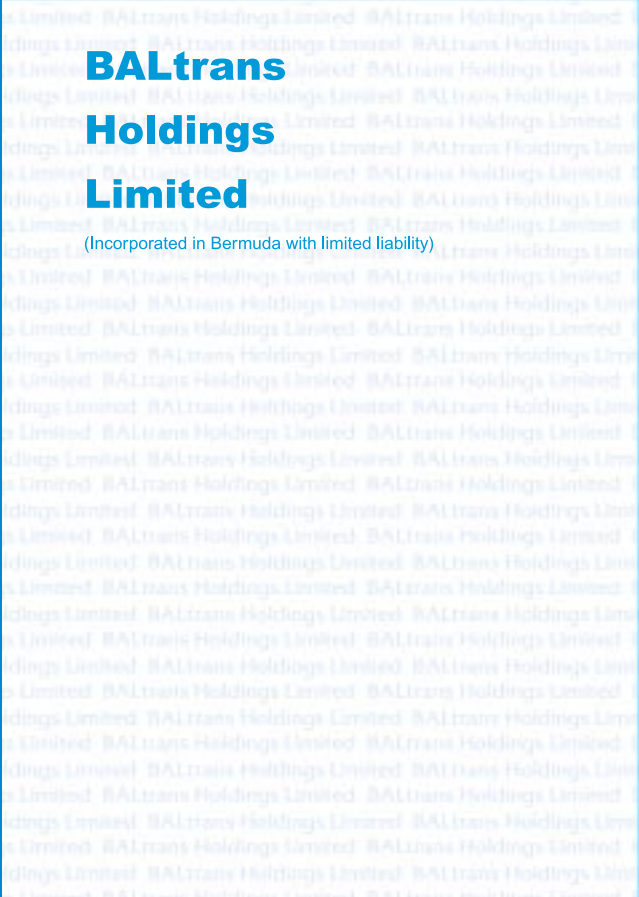




# BALtrans Holdings Limited

(Incorporated in Bermuda with limited liability)



## HIGHLIGHTS

- Profit attributable to shareholders was HK\$40.204 million, representing an increase of 6.7% over the same period last year
- Interim dividend increased from HK2.5 cents to HK3.0 cents, up 20%
- Air freight remained the Group's core business but experienced some decline during the period which was mainly due to adverse market environment
- The Group's sea freight business grew healthily, achieving double-digit increase in profit.
- The Group's operations in Hong Kong and the United States performed satisfactorily as expected while operations in Singapore continued to make steady progress

## INTERIM RESULTS

The Directors of BALtrans Holdings Limited (the "Company") are pleased to present the Interim Report for the six months ended 31st January 2001 of the Company and its subsidiaries (collectively the "Group") . The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of recognised gains and losses of the Group for the six months ended 31st January 2001, and the consolidated balance sheet as at 31st January 2001 of the Group, which are unaudited and certain are condensed, along with selected explanatory notes, are set out on pages 10 to 20 of this report.

## INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.0 cents per share (1.8.1999-31.1.2000: interim dividend of HK2.5 cents per share). The interim dividend will be payable on or before Thursday, 31st May 2001 to the shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 15th May 2001.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 11th May 2001 to Tuesday, 15th May 2001 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfer forms of the relevant share certificates must be lodged with the Company's registrars in Hong Kong: Abacus Share Registrars Limited, 2401, Prince's Building, Central, Hong Kong, not later than 4:00 p.m. on Thursday, 10th May 2001. Dividend warrants will be despatched to the shareholders on or before Thursday, 31st May 2001.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The market environment of the freight forwarding industry took an about turn in the second half of 2000. While the strength of the United States economy was sustainable into the first and second quarters of 2000, with GDP still growing by more than five percent on average, clear signs of a slowdown began to surface in the third and fourth quarters of 2000. This unforeseen change in growth momentum obviously had a negative impact on the demand for freight forwarding services. To some extent, the Group's business during the six months ended 31st January 2001 was also affected.

However, to counteract the effect of this slowdown, the Group was paying more attention to cost control. We are glad to report that this strategy has been effective. In fact the savings in cost thus achieved more than compensated for the drop in profit due to the reduction in business volume during the period.

During the six months ended 31st January 2001, the Group achieved a total turnover of HK\$740,528,000, representing a decrease of 5.9% over the same period last year. Profit attributable to shareholders was HK\$40,204,000, representing an increase of 6.7%. Basic earnings per share was HK16.8 cents, compared to HK 15.8 cents for the corresponding period last year.

The United States remained the Group's largest market. Despite the prevailing economic slowdown, we continued to take advantage of our well-established agency network worldwide to maximize our efficiency in providing higher value-added services to our customers in this part of the world.

Hong Kong continued to be the principal source of income for the Group. The pace of economic recovery was sustained into the second half of 2000. The rise in oil prices last year did not turn into a major crisis. As a result, the Hong Kong economy was allowed to continue recovering, though at a relatively modest pace in view of the United States economic downturn.

Notwithstanding the less than favourable market environment for the industry, the Group's operations in the United States and Hong Kong were able to register satisfactory results. On the other hand, as the economy across Southeast Asia continued to recover and as trading activities in this region picked up, our operations in Singapore also continued to make steady progress.

Air freight remained the Group's major business in terms of revenue while sea freight continued to bring in stable income. Third-party logistics was growing slowly but steadily during the period.

### **Liquidity, Financial Resources and Funding**

As at 31st January 2001, the Group possessed cash and cash equivalents of HK\$150,600,000 (31.7.2000: HK\$150,664,000).

Spending on fixed assets was less than as the same period last year. In the six months ended 31st January 2001, HK\$1,160,000 were paid for the purchase of fixed assets and HK\$13,348,000 were received for the disposal of fixed assets.

During the period under review, HK\$19,276,000 and HK\$250,000 were invested in subsidiaries and associated companies respectively.

The Group's funding requirements have been financed mainly from internal resources. Only a small amount of overdraft facilities were or would be utilized.

The Group's banking facilities were used mainly for the purpose of securing bank guarantees required by suppliers.

The Group's borrowings were mainly in Hong Kong Dollars. Overdraft facilities were granted to the Group at the normal market interest rate.

Since the Group usually conducts its business transactions in Hong Kong Dollars and the United States Dollars, there is seldom the need to make use of financial instruments for hedging purposes.

As a matter of principle, the Group would allow adequate working capital in overseas subsidiaries and transfer excessive funds back to the head office. Some of our overseas subsidiaries would use overdraft facilities in foreign currencies but the amounts involved would usually be too small to necessitate hedging.

It should be noted that during the period under review there was no significant deviation from the policies above.

Over 90% of the Group's cash is in either Hong Kong Dollars or the United States Dollars. The exposure to exchange fluctuation is minimal. The gearing ratio (total long-term liabilities/total shareholders' funds) for the period was 0.025 (31.7.2000: 0.045).

## **Group Assets**

The whole 1st Floor of Sunshine Kowloon Bay Cargo Centre was charged to a bank in exchange for general banking facilities for the Group. The Group has placed fixed deposits totalling HK\$2,550,000 (31.7.2000: HK\$2,500,000) as securities for banking facilities extended to the Group's subsidiaries.

On 5th December 2000, the Group sold its property at 4th Floor, Unit B, and loading bays C3 and C4, Sunshine Kowloon Bay Cargo Centre to a third party for a consideration of HK\$13,300,000.

## Core Investments and Acquisitions

The BALtrans agency network, Fondair agency network and Supreme agency network constituted the core investments of the Group during the period.

In December 2000, we acquired an additional 20% interests in Fondair Express (HK) Ltd., thus increasing our interests from 67.4% to 87.4%. The consideration was HK\$19,276,000.

In February 2001 (after the balance sheet date), the Group acquired 10% of the interests in FBI Air Legi Szallitmanyozo Kft, a freight forwarding company in Budapest, Hungary, for a consideration of US\$25,000. A further acquisition of 10% interests in that company will be made in January 2003 for a consideration of US\$25,000. This initiative will serve as a stepping stone for the Group to enter the Eastern European freight market.

## Contingent Liabilities

As at 31st January 2001, the Group had contingent liabilities totalling approximately HK\$16,700,000 (31.7.2000: HK\$16,100,000) in respect of counter indemnities for bank guarantees given to third parties. In addition, the Group has provided guarantees to banks in respect of banking facilities granted to associated companies amounting to HK\$7,500,000 (31.7.2000: HK\$8,000,000). As at 31st January 2001, the banking facilities guaranteed by the Group to the associated companies have been utilized to the extent of HK\$5,400,000 (31.7.2000: HK\$6,000,000).

## Staff and Employment

As at 31st January 2001, the Group employed a workforce of 468 (31.7.2000: 473). Total staff remuneration for the six months ended 31st January 2001 was HK\$51,358,000, including pension expenses of HK\$2,453,000 (1.8.1999-31.1.2000: HK\$43,528,000, including pension expenses of HK\$1,626,000). No share option was granted to staff during the period.

The Group's remuneration policies, including both salaries and bonuses, are in line with the local practices where the Group and its subsidiaries operate.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.

### **Developmental Strategy**

The Group will continue to pursue a strategy of balanced development. At present our business is still heavily biased towards air freight services. While we believe the market demand for air freight service will continue to grow, we would also like to maintain and further expand our strength in the sea freight segment so as to achieve a higher degree of balance.

As emphasized in the Group's 2000 Annual Report, we believe third-party logistics has great potential for growth and becoming a major source of revenue for the Group in due course. We, therefore, intend to devote more attention to developing this segment of our business.

Geographically, Mainland China will be the focus of the Group's future development. We expect our involvement in the Mainland China, especially Shanghai, to continue providing good opportunities to us. We also believe Eastern Europe may offer good potential for us. Our acquisition of interests in a freight forwarding company in Hungary earlier this year was an initiative we took to develop this market.

### **Future Prospects**

In view of the uncertainties now overhanging the United States economy, we believe the freight forwarding industry in the Asia region would continue to be affected. A substantial rebound in this market seems unlikely in the immediate future, which could lead to low growth in turnover and profit for the Group for the whole year.

However, we believe Mainland China's imminent entry to the World Trade Organization will boost the volume of trade between China and the rest of the world substantially. This will create good business opportunities for the freight forwarding industry in the medium and long terms. We are also confident that our operations in Asia, especially Hong Kong and Mainland China, will continue to be stable sources of revenue for the Group in the future.

With an expanding global agency network and well-established information technology infrastructure, the Group is fully equipped to benefit from this development.

## **Conclusion**

While the Directors are conservative with regard to short-term prospects in view of the current market environment, they believe that the current share prices of the Company fail to reflect the intrinsic value of the Group's business. As such, the Directors have initiated a strategic review of the Group and its businesses with a view to maximize the value to the shareholders.

I wish to thank the Board of Directors for their advice and support, and to extend my appreciation to our staff worldwide for their dedication and hard work.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

In 1992, a share option scheme was approved at a special meeting of the Company under which the Directors may, at their discretion, invite full time employees including executive Directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

On 13th March 1997, nine senior management of the Group were offered options to subscribe a total of 3,900,000 shares at a fixed price of HK\$0.8336 per share. Half of the allocation may be exercised after 30th June 1998 and the remainder after 31st December 2000. The options are valid until 12th March 2003. Information relating to the share options held by senior management is set out in note 10 to the accounts.



Apart from the above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Company's Directors, chief executives and their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES**

At 31st January 2001, the Directors, chief executives and their associates had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

<b>Name of directors</b>	<b>Nature of holding</b>	<b>Number of ordinary shares of the Company beneficially held</b>
Mr Anthony Siu Wing LAU	Personal interest	72,386,000
Mr William Hugh Purton BIRD	Personal interest	57,591,200
Mr David Chung Hung WAI	Personal interest	32,942,000
Mr Christopher John David CLARKE	Personal interest	78,000

Save as disclosed above and other than certain non-beneficial ordinary shares in subsidiaries held in trust for the Group by Mr Anthony Siu Wing LAU and Mr William Hugh Purton BIRD, none of the Directors, chief executives and their associates has any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations as at the balance sheet date required to be disclosed pursuant to the SDI Ordinance.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

At 31st January 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

Throughout the period, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that independent non-executive directors are not appointed for a specified term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 31st January 2001.

On behalf of the Board  
**Anthony Siu Wing LAU**  
*Chairman*

Hong Kong, 24th April 2001

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

		<b>Six months ended</b>	
		<b>31st January</b>	
		<b>2001</b>	<b>2000</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>740,528</b>	787,329
Cost of services rendered		<b>(600,990)</b>	(662,305)
Gross profit		<b>139,538</b>	125,024
Other revenues	2	<b>4,604</b>	5,690
Administrative expenses		<b>(103,662)</b>	(95,296)
Operating profit	3	<b>40,480</b>	35,418
Finance costs		<b>(164)</b>	(160)
Share of profits less losses of			
Jointly controlled entities		<b>121</b>	62
Associated companies		<b>9,208</b>	10,434
Profit before taxation		<b>49,645</b>	45,754
Taxation	4	<b>(4,951)</b>	(2,242)
Profit after taxation		<b>44,694</b>	43,512
Minority interests		<b>(4,490)</b>	(5,841)
Profit attributable to shareholders		<b>40,204</b>	37,671
Dividends	5	<b>(7,172)</b>	(5,961)
Profit for the period retained		<b>33,032</b>	31,710
Basic earnings per share	6	<b>HK16.8 cents</b>	HK15.8 cents
Fully diluted earnings per share	6	<b>HK16.8 cents</b>	HK15.8 cents

## UNAUDITED CONSOLIDATED BALANCE SHEET

		Unaudited 31st January 2001 HK\$'000	Audited 31st July 2000 HK\$'000
Non-current assets			
Fixed assets		76,099	91,655
Investments in jointly controlled entities		6,108	6,006
Investments in associated companies		38,448	32,727
		<u>120,655</u>	<u>130,388</u>
Current assets			
Trade and other receivables	7	193,497	219,088
Pledged bank deposits		2,550	2,500
Cash and bank balances		159,335	161,921
		<u>355,382</u>	<u>383,509</u>
Current liabilities			
Trade and other payables	8	148,499	180,961
Current portion of long-term liabilities	9	391	424
Taxation payable		5,460	3,182
Bank overdrafts			
Secured		6,558	8,289
Unsecured		2,177	2,968
Dividend payable		7,172	23,865
		<u>170,257</u>	<u>219,689</u>
Net current assets		<u>185,125</u>	<u>163,820</u>
Total assets less current liabilities		<u>305,780</u>	<u>294,208</u>
Financed by:			
Share capital	10	23,905	23,865
Reserves	11	257,047	240,831
Shareholders' funds		<u>280,952</u>	<u>264,696</u>
Minority interests		17,217	16,903
Non-current liabilities			
Long-term liabilities	9	6,997	11,867
Deferred taxation		614	742
		<u>7,611</u>	<u>12,609</u>
		<u>305,780</u>	<u>294,208</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31st January 2001 <i>HK\$'000</i>
Net cash inflow from operating activities	32,840
Net cash outflow from returns on investments and servicing of finance	(20,981)
Total taxation paid	(711)
Net cash outflow from investing activities	(7,388)
Net cash outflow from financing	<u>(3,856)</u>
Decrease in cash and cash equivalents	(96)
Cash and cash equivalents at the beginning of the period	150,664
Effect of foreign exchange rate changes	<u>32</u>
Cash and cash equivalents at the end of the period	<u><u>150,600</u></u>
Analysis of balances of cash and cash equivalents	
Cash and bank balances	159,335
Bank overdrafts	<u>(8,735)</u>
	<u><u>150,600</u></u>

## UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	<i>Note</i>	<b>Six months ended</b>	
		<b>31st January</b>	
		<b>2001</b>	<b>2000</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Exchange differences arising on translation of subsidiaries, jointly controlled entities and associated companies	11	<u>(47)</u>	<u>(62)</u>
Net losses not recognised in the profit and loss account		(47)	(62)
Profit for the period	11	<u>40,204</u>	<u>37,671</u>
Total recognised gains		<b>40,157</b>	37,609
Goodwill eliminated directly against reserves	11	<u>(17,063)</u>	<u>(735)</u>
		<u><b>23,094</b></u>	<u>36,874</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 1 Accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, (as applicable to Interim Financial Statements), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual accounts for the year ended 31st July 2000 except that the Group has adopted SSAP No. 14 (revised), “Leases”, in the preparation of the Interim Financial Statements. SSAP 14 prescribes the accounting policies and disclosure requirements in relation to finance and operating leases. The adoption of SSAP 14 (revised) by the Group does not have any impact on the Interim Financial Statements except that the comparative figures in the notes 13(b) have been restated.

### 2 Turnover, revenues and segmental information

The Group is principally engaged in the provision of freight forwarding services. Revenues recognised during the period are as follows:

	Six months ended 31st January	
	2001 HK\$'000	2000 HK\$'000
Turnover		
Revenue from rendering freight forwarding services		
Air freight	567,224	637,312
Sea freight	111,224	103,710
Household and exhibition removal services	42,126	32,220
Trucking and warehousing services	19,937	14,060
Gross rental income from land and buildings	17	27
	<u>740,528</u>	<u>787,329</u>
Other revenues		
Management fee	482	2,925
Interest income	4,122	2,353
Others	—	412
	<u>4,604</u>	<u>5,690</u>
Total revenues	<u>745,132</u>	<u>793,019</u>

## 2 Turnover, revenues and segmental information (continued)

An analysis of the Group's turnover and contribution to operating profit for the period by principal activities and geographical locations of operations is as follows:

	Turnover		Operating profit	
	Six months ended		Six months ended	
	31st January		31st January	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Air freight	567,224	637,312	27,234	31,477
Sea freight	111,224	103,710	6,569	3,699
Household and exhibition removal services	42,126	32,220	4,543	(282)
Trucking and Warehousing Services	19,937	14,060	2,139	552
Property letting	17	27	(5)	(28)
	<u>740,528</u>	<u>787,329</u>	<u>40,480</u>	<u>35,418</u>
Geographical locations of operations:				
Hong Kong	469,186	487,230		
United States of America	214,034	245,324		
Singapore	38,110	28,238		
Malaysia	16,195	17,161		
Mainland China	2,035	9,335		
Others	968	41		
	<u>740,528</u>	<u>787,329</u>		

## 3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended	
	31st January	
	2001	2000
	HK\$'000	HK\$'000
<b>Crediting</b>		
Gain on disposal of fixed assets	—	32
<b>Charging</b>		
Depreciation of owned fixed assets	3,333	3,875
Depreciation of leased assets	159	63
Loss on disposal of fixed assets	103	—
	<u>—</u>	<u>32</u>



#### 4 Taxation

Hong Kong profits tax has been provided at the rate of 16% (1.8.1999-31.1.2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 31st January	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	2,160	1,192
Overseas taxation	828	174
Deferred taxation	(128)	—
	<u>2,860</u>	<u>1,366</u>
Share of taxation attributable to:		
Jointly controlled entities	19	—
Associated companies	2,072	876
	<u>4,951</u>	<u>2,242</u>

#### 5 Dividends

	Six months ended 31st January	
	2001 HK\$'000	2000 HK\$'000
Interim, declared, of HK3.0 cents (1.8.1999-31.1.2000: HK2.5 cents) per ordinary share	<u>7,172</u>	<u>5,961</u>

#### 6 Earnings per share

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$40,204,000 (1.8.1999-31.1.2000: HK\$37,671,000).

The basic earnings per share is calculated based on the weighted average of 238,782,737 (1.8.1999-31.1.2000: 237,828,389) ordinary shares in issue during the period. The diluted earnings per share is calculated based on 239,702,524 (1.8.1999-31.1.2000: 238,210,836) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 919,787 (1.8.1999-31.1.2000: 382,447) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 7 Trade and other receivables

Included in trade and other receivables are trade receivables including amounts due from jointly controlled entities, associated companies, related companies and minority shareholders and their ageing analysis is as follows:

	Unaudited 31st January 2001 HK\$'000	Audited 31st July 2000 HK\$'000
Below 30 days	89,025	101,032
30 - 60 days	46,168	49,165
60 - 90 days	16,308	17,105
Over 90 days	16,451	27,515
	<u>167,952</u>	<u>194,817</u>

The majority of the Group's turnover is on open account terms.

## 8 Trade and other payables

Included in trade and other payables are trade payables including amounts due to jointly controlled entities and associated companies and their ageing analysis is as follows:

	Unaudited 31st January 2001 HK\$'000	Audited 31st July 2000 HK\$'000
Below 30 days	55,320	73,918
30 - 60 days	15,377	12,261
60 - 90 days	625	4,077
Over 90 days	4,984	7,666
	<u>76,306</u>	<u>97,922</u>

## 9 Long-term liabilities

	Unaudited 31st January 2001 HK\$'000	Audited 31st July 2000 HK\$'000
Amounts due to minority shareholders	6,702	11,382
Obligations under finance leases and hire purchase contracts	<u>686</u>	<u>909</u>
	7,388	12,291
Current portion of long-term liabilities	<u>(391)</u>	<u>(424)</u>
	<u>6,997</u>	<u>11,867</u>

## 9 Long-term liabilities (continued)

The amounts due to minority shareholders are unsecured, interest-free and not repayable within the next twelve months.

At 31st January 2001, the Group's obligations under finance leases and hire purchase contracts were repayable as follows:

	Unaudited 31st January 2001 HK\$'000	Audited 31st July 2000 HK\$'000
Within one year	391	424
In the second year	295	485
	<u>686</u>	<u>909</u>

## 10 Share capital

	No. of shares	HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each At 31st July 2000 and 31st January 2001	<u>500,000,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each At 31st July 2000	238,650,400	23,865
Exercise of options	<u>400,000</u>	<u>40</u>
At 31st January 2001	<u>239,050,400</u>	<u>23,905</u>

The movement of share options granted pursuant to the share option scheme during the period was as follows:

Date of grant	Sub- scription price per share HK\$	Exercisable period	Options outstanding at 1st August 2000	Options exercised during the period	Options outstanding at 31st January 2001
13th March 1997	0.8336	1st July 1998 to 12th March 2003	700,000	(150,000)	550,000
13th March 1997	0.8336	1st January 2001 to 12th March 2003	<u>1,950,000</u>	<u>(250,000)</u>	<u>1,700,000</u>
			<u>2,650,000</u>	<u>(400,000)</u>	<u>2,250,000</u>

## 11 Reserves

	Unaudited			Total HK\$'000
	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1st August 2000	83,029	(589)	158,391	240,831
Exercise of share options	294	—	—	294
Goodwill taken to reserves ( <i>note a</i> )	—	—	(17,063)	(17,063)
Exchange differences	—	(47)	—	(47)
Profit for the period	—	—	40,204	40,204
Dividends	—	—	(7,172)	(7,172)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st January 2001	<u>83,323</u>	<u>(636)</u>	<u>174,360</u>	<u>257,047</u>

## Note

- (a) Goodwill arising from the acquisition of an additional 20% interests in Fondair Express (HK) Limited was taken to reserves.

## 12 Contingent liabilities

At 31st January 2001, the Group had contingent liabilities in respect of counter indemnities for bank guarantees totalling approximately HK\$16.7 million (31.7.2000: HK\$16.1 million) given to third parties. In addition, the Group has provided guarantees to banks in respect of banking facilities granted to associated companies amounting to HK\$7.5 million (31.7.2000: HK\$8.0 million). As at 31st January 2001, the banking facilities guaranteed by the Group to the associated companies had been utilised to the extent of HK\$5.4 million (31.7. 2000: HK\$6.0 million).

## 13 Commitments

- (a) Capital commitments

At 31st January 2001, the Group had capital commitments in respect of the following:

	Unaudited 31st January 2001 HK\$'000	Audited 31st July 2000 HK\$'000
Contracted but not provided for		
Capital contribution to a jointly controlled entity	—	1,170
Capital contribution to an associated company	390	—
	<u>390</u>	<u>1,170</u>

**13 Commitments (continued)****(b) Operating lease commitments**

At 31st January 2001, the Group had future aggregate minimum lease commitments to make payments under operating leases in respect of land and buildings which expire as follows:

	<b>Unaudited</b> <b>31st</b> <b>January 2001</b> <b>HK\$'000</b>	Restated 31st July 2000 HK\$'000
Within one year	4,000	8,855
In second to fifth year inclusive	<u>14,186</u>	<u>8,026</u>
	<u><b>18,186</b></u>	<u><b>16,881</b></u>

**14 Related party transactions**

During the period, the Group had material related party transactions, which were carried out in the normal course of business, with related parties.

		<b>Unaudited</b> <b>Six months ended</b> <b>31st January</b> <b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Jointly controlled entities			
Forwarding income received	(a)	271	719
Forwarding costs paid	(a)	<u>2,261</u>	<u>2,754</u>
Associated companies			
Forwarding income received	(a)	40,326	36,013
Forwarding costs paid	(a)	8,910	2,441
Management fee received	(b)	423	2,925
Warehousing income received	(b)	<u>3,046</u>	<u>2,290</u>

(a) These transactions were conducted in the normal course of business and on normal commercial terms.

(b) Management fee income and warehousing income which were mainly from Wilson Freight (Far East) Limited, were charged at agreed rates.