

Interim Report 2001

Asia Logistics Technologies Limited

(Incorporated in the Cayman Islands with limited liability)

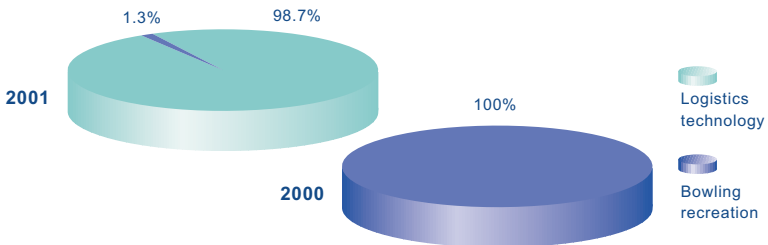
**Asia Logistics
Technologies**
亞洲物流科技



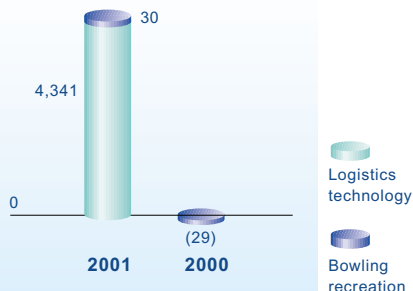
Financial Highlights

	2001 HK\$'M	2000 HK\$'M
Turnover	19.6	5.7
Operating profit / (loss)	4.4	(0.03)
Net profit / (loss)	1.9	(8.6)
Cash on hand	196.6	197.6
Net assets	312.5	245.3
Basic earnings / (loss) per share	HK0.07 cent	HK(0.41) cent

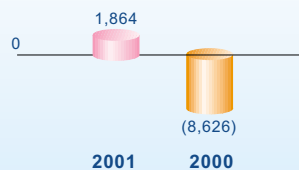
Turnover by principal activities
HK\$'000



Operating profit/(loss) by principal activities
HK\$'000



Net profit/(loss) from ordinary activities attributable to shareholders
HK\$'000



Interim Results

The Board of Directors (the “Board”) of Asia Logistics Technologies Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2001 together with the comparative figures for the corresponding period in 2000 as follows:

Condensed Consolidated Profit and Loss Account

	Notes	For the six months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER	2	19,574	5,656
Cost of sales		(15,203)	(5,685)
Operating profit/(loss)		4,371	(29)
Other revenue		3,476	3,546
Administrative and selling expenses		(8,604)	(5,298)
Profit/(loss) of disposal of subsidiaries/ a subsidiary	3	2,695	(5,684)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	1,938	(7,465)
Finance cost	5	(74)	(315)
PROFIT/(LOSS) BEFORE TAX		1,864	(7,780)
Tax	6	–	(846)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		1,864	(8,626)
Dividends	7	–	–
Basic earnings/(loss) per share	8	HK0.07 cent	(HK0.41) cent

Other than the net profit from ordinary activities attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a Consolidated Statement of Recognised Gains and Losses is not presented in the condensed financial statements.

Condensed Consolidated Balance Sheet

		30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		2,825	53,283
Prepaid co-operation fee		–	8,511
Other non-current financial assets		75,560	–
		78,385	61,794
CURRENT ASSETS			
Inventories		5,550	2,302
Tax recoverable		–	486
Prepayments & Deposits		–	370
Trade and other receivables	9	36,861	8,311
Cash and cash equivalents	10	196,646	197,587
		239,057	209,056
CURRENT LIABILITIES			
Trade and other payables	11	521	207
Tax payable		1,010	1,561
Other payables and accruals		3,402	18,019
Interest-bearing bank loans		–	5,720
		4,933	25,507
NET CURRENT ASSETS		234,124	183,549
TOTAL ASSETS LESS CURRENT LIABILITIES		312,509	245,343
CAPITAL AND RESERVES			
Share capital	12	30,824	25,766
Reserves	13	281,685	219,577
		312,509	245,343

Condensed Consolidated Cash Flow Statement

**For the six
months ended
30 June 2001
(Unaudited)
HK\$'000**

NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(42,633)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	3,219
Interest paid	(74)
	<hr/>
Net cash inflow from returns on investments and servicing of finance	3,145
	<hr/>
TAX	
Overseas profits tax paid	—
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Taxes paid	—
	<hr/>
INVESTING ACTIVITIES	
Purchases of fixed assets	(2,735)
Proceeds from disposal of subsidiaries	29,972
Payment for purchase of held-to-maturity security	(75,560)
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Net cash outflow from investing activities	(48,323)
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NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(87,811)
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FINANCING ACTIVITIES	
Issue of ordinary shares	88,523
Share issue expenses	(1,653)
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Net cash inflow from financing activities	86,870
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DECREASE IN CASH AND CASH EQUIVALENTS	(941)
Cash and cash equivalents at beginning of year	197,587
	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE 2001	196,646
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Notes to Condensed Consolidated Financial Statements

1. Basis of preparation

The unaudited interim financial report, which are not statutory accounts, has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the HKSA except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The same accounting policies adopted in the 2000 annual accounts have been applied to the 2001 interim financial report.

2. Turnover

The Group's turnover and contribution to profit and loss from operations before finance costs by principal activities are analysed as follows:

	For the six months ended June 2001		For the six months ended June 2000	
	Turnover HK\$'000	Contribution to profit before tax HK\$'000	Turnover HK\$'000	Contribution to loss before tax HK\$'000
By principal activity				
Bowling recreation business	256	2,634	5,656	(4,763)
Logistics technology business	19,318	(770)	–	(3,863)
	<u>19,574</u>	<u>1,864</u>	<u>5,656</u>	<u>(8,626)</u>
By geographical area				
The PRC				
Hong Kong	–	(3,084)	–	(3,863)
Elsewhere	19,574	4,948	5,656	(4,763)
	<u>19,574</u>	<u>1,864</u>	<u>5,656</u>	<u>(8,626)</u>

Turnover represents the value of sale of software licences and services rendered earned during the financial periods.

Up to 15 June 2001, the Group has disposed of all the subsidiaries which are related to bowling recreation business. Accordingly, the segmental information of the bowling recreation business above represents the turnover and contribution of the discontinued operation of bowling recreation business during the financial periods.

3. Profit of disposal of subsidiaries

During the six months ended 30 June 2001, the Company sold the Group's investment in subsidiaries of the bowling recreational operations. These transactions gave rise to a profit of HK\$2,695,025 and a net cash inflow of HK\$29,972,000. The net assets and the turnover of the subsidiaries constituted approximately 11% and 100% of the consolidated net assets and turnover respectively in the annual accounts for the year ended 31 December 2000.

4. Profit/loss from operating activities

The Group's profit and loss from operating activities is arrived at after charging:

	30 June 2001	30 June 2000
	HK\$'000	HK\$'000
Cost of inventories sold and services provided	15,203	5,686
Depreciation	165	4,808
Staff costs	3,867	2,216
and after crediting:		
Bank interest income	3,219	212
Rental income, net of outgoings of Nil (2000: HK\$100,000)	—	158
	—————	—————

Cost of inventories sold and services provided includes HK\$15,203,000 (2000: HK\$5,686,000) relating to staff costs, depreciation, operating lease rentals in respect of land and buildings and co-operation fee, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5. Finance Costs

	30 June 2001	30 June 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within 1 year:	74	145
Interest on loan from a director:	—	170
	<hr/>	<hr/>
	74	315
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6. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2001 (2000: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. Tax recoverable represents tax paid in excess of the estimated tax liability for the period.

Deferred tax has not been provided for the Group and the Company as there were no significant timing differences giving rise to deferred tax liabilities at 30 June 2001 (2000: Nil).

The re-valuations of the Group's fixed assets do not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

7. Dividends

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2001 (2000: Nil).

8. Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net earnings/(loss) attributable to shareholders for the half year ended 30 June 2001 of HK\$1,864,000 (2000: loss of HK\$8,626,000), and the weighted average of 2,652,046,000 (2000: 2,115,178,000) ordinary shares in issue during the period.

The diluted earnings per share for the period ended 30 June 2001 has not been shown as the share options outstanding during the current period had an anti-dilutive effect on the basic earnings per share for the period.

The diluted loss per share for the period ended 30 June 2000 has not been shown as the share options and warrants outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

9. Trade and other receivables

Included in trade and other receivables are receivables with the following ageing analysis:

	30 June 2001	31 December 2000
	HK\$'000	HK\$'000
Current	3,398	–
1 to 3 months overdue	–	7,439
More than 3 months overdue but less than 12 months overdue	23,955	872
	27,353	8,311
Gross amount due from customers for contract work	9,508	–
	36,861	8,311

10. Cash and cash equivalents

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Cash and bank balances	7,813	8,754
Time deposits	188,833	188,833
	<u>196,646</u>	<u>197,587</u>

11. Trade and other payables

The trade and other payable balances as at 31 December 2000 and 30 June 2001 were aged less than three months.

12. Share capital

	No. of shares (<i>'000</i>)	<i>HK\$'000</i>
Issued and fully paid:		
At 1 January 2001	2,576,588	25,766
Placing of new shares	505,846	5,058
	<u>3,082,434</u>	<u>30,824</u>

On 30 June 2001, the Company had 114,000,000 share options outstanding. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 114,000,000 new ordinary shares of HK\$0.01 each.

13. Reserves

Group

	Share Premium <i>HK\$'000</i>	PRC statutory surplus reserve <i>HK\$'000</i>	Discretionary surplus reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2000 and 1 January 2001	177,904	7,189	14,378	20,106	219,577
Premium on issue of shares	83,464	-	-	-	83,464
Share issue expenses	(1,653)	-	-	-	(1,653)
Disposal of subsidiaries	-	(7,189)	(14,378)	-	(21,567)
Profit for the year	-	-	-	1,864	1,864
At 30 June 2001	<u>259,715</u>	<u>-</u>	<u>-</u>	<u>21,970</u>	<u>281,685</u>

14. Capital commitments outstanding not provided for in the Group's account*(a) Capital commitments*

	Group	
	30 June	31 December
	2001	2000
	HK\$'000	HK\$'000
Contracted for:		
Capital injection to a subsidiary in the PRC	6,945	10,920

(b) Commitments under operating leases

	30 June	31 December
	2001	2000
	HK\$'000	HK\$'000
Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year:	5,674	—
2 to 5 years:	11,635	—

15. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2001.

16. Post balance sheet event

Subsequent to the balance sheet date, the following events took place :

- (1) The Group entered into an agreement with a third party to acquire an interest in a joint venture company in the PRC. The total consideration for the acquisition is RMB 44 million.
- (2) Investment in listed security of HK\$11,212,110.

Management Discussion and Analysis

Operating Results

As a result of the worldwide economic downturn, the Group has been experiencing a difficult half year. Nevertheless, the Group performed satisfactorily during the six-month period ended 30 June 2001. Turnover for the period was HK\$19.6 million, representing an increase of 246% as compared with the corresponding period last year. Profit attributable to shareholders recorded a result of HK\$1.9 million (2000: loss of HK\$8.6 million).

Business Review

In the first half of 2001, the Group had completely disposed of its bowling recreation centers and made the transition to a professional e-solutions provider, aiming to become the best eSupply Chain Management and eLogistics Solutions Enabler in Asia.

To keep up with this development, new management team members had been nominated by the board of directors, to push ahead with plans to become a leading eSupply Chain Management enabler. The strengthened management team consists of experienced IT and management professionals, leading the Group as it faces evolving business needs in this lucrative market.

In 2001, the Group's business is concentrating on three major areas: (1) providing consultancy services for Business Process Re-engineering (BPR), Enterprise Resources Planning (ERP), eSupply Chain Management and eLogistics Management; (2) offering Supply Chain Management and Logistics Management software, applications and solutions; and (3) making strategic investment in synergistic partnerships and projects.

Given the magnitude of the opportunities offered by the China market, the Company has established a wholly-owned subsidiary, Asia Logistics Technologies (China) Limited. Based in Beijing, it is responsible for the operations and business development of the Group, aiming to provide the most comprehensive and customized solutions and professional services to clients in China.

The Group's other subsidiary, Han International Consulting Company Limited ("HAN"), has also recorded a significant evidence of a steady growth in the business consultancy services in the PRC. During the period, HAN received "Greater China Top Application Partner Performer" award from Oracle as it had delivered more than 25% of Oracle's indirect application revenue in the Greater China Region.

Currently, HAN has more than 11 branch offices in China in Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Hangzhou, Chengdu, Dalian, Xiamen, Wuhan and Xian. With more than 300 professional consultants, HAN is the largest business consulting company in China, assisting clients to improve their competitiveness, managerial skills and operational efficiencies. Most of HAN's clients are reputable state-owned enterprises and international companies such as Hasense Group, Haier Group, Matsushita Electric Works etc.

Research and Development

To cater for the enormous China market and to provide quality products and services to clients, the Group established a research and development center in Xian. The Xian Research and Development Center, which is supported by the renowned Xian Jiaotong University, is committed to providing quality, tailor-made solutions including software development, customization, localization and globalization of eSupply Chain Management and eLogistics solution.

Prospects

China's entry into WTO, is likely to foster a greater efficiency among large corporations and state-owned enterprises as they strive to lower costs by reviewing and streamlining their business process. This will greatly increase market potential in the near future.

China is being identified as the primary market of the Group's main business, as numerous business opportunities are expected to rapidly emerge as businesses scale to achieve world-class quality levels in preparation for the WTO challenge. With its intensive experience and understanding of Eastern and Western management culture, business practices and technology know-how, the Company is in an excellent position to obtain a higher market share in the China market. In fact, several eSupply Chain Management and eLogistics contracts, ranging from planning and implementation of manufacturing logistics to distribution logistics, from well-known state-owned enterprises such as Beijing Pharmacy Limited, Tianjin

Zhong Xin Pharmaceutical Group Corporation Limited and ChangSha Tobacco Company, have been concluded within this period. Apart from the pharmaceutical and tobacco industries, the Group is now developing eSupply Chain Management and eLogistics Management business in the automobile industry.

Additionally, the Group has also been forming strategic alliances with leading global companies to enhance its business operations. The Group believes that it is imperative to team up with business partners to stay ahead of the competition, achieving mutual benefits. Partners include Sun Microsystems, Deloitte Consulting, eSkylink and webMethods. These alliances will leverage the resources and applications of both parties, contributing to increased growth and revenues.

The Company offers a series of supply chain management and logistics solutions, helping clients to manage the manufacturing process from raw materials to finished goods through the control of commercial flow, information flow, logistics flow, cash flow and service flow. Some of the business solutions also support the EAN.UCC standard of the Hong Kong Article Numbering Association.

To keep ahead in the area of supply chain management and logistics management, the Group will seek to grow further through merger and acquisition to strengthen its software and solution development capacity. The Group will explore the feasibility of providing complementary e-business solutions and services to each customer, with a view of bolstering and reaching existing business.

Liquidity and Financial Position

On 4 June 2001, the Company placed 505,846,000 new shares at an issue price of HK\$0.175 per share, which generated a net cash inflow of approximately HK\$86.9 million for the Company. These net proceeds will be used for general working capital purposes.

During the period under review, the Group continued to strengthen its financial management policy to maintain a strong and healthy financial position. As of 30 June 2001, the Group had no bank borrowing. As such, debt and gearing ratios for the Group were negligible. On the other hand, the Group's cash on hand remained strong at approximately HK\$196.6 million.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2001 (2000: Nil).

Directors' Interests in Shares

At 30 June 2001, the interests of certain directors and their associates in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Director	Number of shares held	
	Corporate interests	Other interests
Lo Lin Shing, Simon	1,079,708,000 (a)	–
Chan Ki	306,388,000 (b)	–

Notes:

- (a) These shares are beneficially owned by Golden Infinity Co., Ltd., a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Lo Lin Shing, Simon.
- (b) These shares are beneficially owned by Silver Valley Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Chan Ki.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in any securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' Rights to Acquire Shares

At 30 June 2001, the interests of the directors in any right to subscribe for shares in the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Director	No. of share options at 1 January 2001	Date of grant	Exercise period	Exercise price per share	Exercised during the period	No. of share options at 30 June 2001
Lo Lin Shing, Simon	57,000,000	14.8.2000	15.8.2000 to 14.8.2003	HK\$0.284	–	57,000,000
Chan Ki	57,000,000	14.8.2000	15.8.2000 to 14.8.2003	HK\$0.284	–	57,000,000

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

Other than the shares held by Golden Infinity Co., Ltd., as disclosed in the section headed "Directors' Interests in Shares" above, which represented approximately 35.03% of the Company's issued share capital, the Company had not been notified by any person, not being a director of the Company, of interests in the share capital of the Company required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance.

Audit Committee

The audit committee, which comprises of two independent non-executive directors of the Company, has reviewed the unaudited financial statements of the Group for the six months ended 30 June 2001.

Code of Best Practice

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. The non-executive director and independent non-executive directors of the Company are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2001.

By Order of the Board
Lo Lin Shing, Simon
Chairman

Hong Kong, 20 September 2001