

BALtrans Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2002



SYMBOL OF QUALITY LOGISTICS SERVICES

HIGHLIGHTS

- Overall business was inevitably affected by the adverse operating environment worldwide and the tragic events in the US on 11th September
- Turnover was HK\$629.5 million and profit attributable to shareholders was HK\$28.2 million
- Basic earnings per share were HK11.8 cents and interim dividend was HK3.0 cents per share
- Acquisition of BALtrans Logistics (Canada) Limited has strengthened the Group's presence in the North America market
- The Group will capture growth opportunities in the Mainland China through acquisition and aggressive expansion

INTERIM RESULTS

The Directors of BALtrans Holdings Limited (the "Company") are pleased to present the interim unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 31st January 2002, which are set out on pages 9 to 23 of this report.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.0 cents per share (2001 interim: HK3.0 cents per share). The interim dividend will be payable on or before Friday, 24th May 2002 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 10th May 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 8th May 2002 to Friday, 10th May 2002 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, 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong, no later than 4:00 p.m. on Tuesday, 7th May 2002. Dividend warrants will be dispatched to the shareholders on or before Friday, 24th May 2002.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The second half of 2001 was a difficult trading period for the whole industry and the Group. The global market environment quickly turned bad after the terrorist attacks on the US on 11th September. This unforeseen turn of events, coupled with the apparent recession in the US, caused a further contraction in demand for the Group's services worldwide.

However, notwithstanding a drop in turnover, the Group was able to achieve savings in costs and slight improvement in gross profit margins compared with the same period last year due to its continual efforts in cost control and effective planning of traffic.

During the six months ended 31st January 2002, the Group achieved a total turnover of HK\$629,468,000, and profit attributable to shareholders of HK\$28,217,000, representing a decrease of 15% and 29.8% respectively over the same period last year. Basic earnings per share were HK11.8 cents, compared to HK16.8 cents for 2001 interim.

Operations in Hong Kong continued to be the Group's major source of income. Both turnover and profit dropped as worldwide demand experienced a severe decline during the period.

The Group's US offices were unable to perform well partly due to the operating environment and partly due to the adverse impact of the 11th September tragic events. In Canada, the Group acquired, in November 2001, a majority interest in a local freight forwarder, BALtrans Logistics (Canada) Limited. This newly acquired business has made positive contribution to the Group during the period under review.

Notwithstanding the unfavourable market environment for the industry, the Group's performance in Southeast Asia was satisfactory. Our operations in Singapore grew as a result of expansion through acquiring the businesses of small local competitors. Turnover was boosted by more than 60% making our operations in Singapore a positive contributor of profit. Business in Malaysia also registered some growth in turnover with a corresponding growth in net profit.

During the six-month period, air freight remained the chief contributor to the Group's revenue. Sea freight continued to generate stable income for the Group.

Liquidity and Financial Resources

As at 31st January 2002, the Group possessed cash and cash equivalents of HK\$119,821,000 (31st July 2001: HK\$186,875,000).

Total spending on fixed assets was higher than the same period last year. In the six months ended 31st January 2002, HK\$48,663,000 (2001: HK\$1,160,000) were paid for the purchase of fixed assets, including a premise of the whole 8th floor, Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong whereas HK\$807,000 (2001: HK\$13,348,000) were received for the disposals of fixed assets.

During the period under review, HK\$32,048,000 (31st January 2001: HK\$19,276,000) and nil (31st January 2001: HK\$250,000) were invested in subsidiaries and associated companies respectively.

The Group's funding requirements have been financed mainly from internal resources except that the Group, for the acquisition of a property, has borrowed a fixed loan of HK\$28,000,000 which is repayable over seven years. Only a small amount of overdraft facilities were utilized.

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

Since the Group usually conducts its business transactions in Hong Kong Dollars and US Dollars, there is no hedging arrangement.

Over 90% of the Group's cash is in either Hong Kong Dollars or US Dollars. The exposure to exchange fluctuation is minimal. The gearing ratio (total long-term liabilities/total shareholders' funds) for the period was 0.08 (31st July 2001: 0.002).

Charges on Group Assets

The whole first floor of Sunshine Kowloon Bay Cargo Centre was charged to a bank in exchange for general banking facilities for the Group.

On 14th September 2001, the Group acquired from a third party for a consideration of HK\$40,000,000 for the whole of 8th floor, Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong which has been charged to a bank in exchange for a fixed loan repayable over seven years.

The Group has placed fixed deposits totalling HK\$2,550,000 (31st July 2001: HK\$2,550,000) as securities for banking facilities extended to the Group.

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 November 2001, the Group acquired Corporate Century Limited, BVI which holds 70% interests in a freight forwarding company incorporated in Canada for a consideration of C\$6,440,000 of which upfront payment has been made and the balance would be paid in the subsequent four years. This acquisition has resulted in increasing business between Hong Kong and Canada, and is expected to see stronger growth in the long term.

In March 2002, after the balance sheet date, the Group acquired a majority interests in SITC Sky Logistics Company Limited, Qingdao. The Group's presence in Chinese Mainland will be further strengthened through this acquisition.

Contingent Liabilities

- (a) At 31st January 2002, the Group has provided guarantees to banks in respect of banking facilities granted to associated companies amounting to HK\$7.5 million (31st July 2001: HK\$7.5 million) of which HK\$4.3 million (31st July 2001: HK\$3.5 million) has been utilised.
- (b) Pursuant to the sale and purchase agreement for the acquisition of an additional 20% equity interest in Fondair Express (HK) Limited ("Fondair") in December 2000, the consideration for the acquisition will be adjusted in the event that 20% of the Profit After Taxation as shown in the audited accounts of Fondair for the four consecutive financial years ending on 31st July 2004 exceeds HK\$18,000,000 in aggregate, each of the two vendors will be entitled to a total of 25% of the cumulative excess, subject to a maximum amount of HK\$15,000,000 for each of the vendors.
- (c) Pursuant to the sale and purchase agreement for the acquisition of 70% equity interest in BALtrans Logistics (Canada) Limited ("BALtrans Canada") in November 2001, the additional consideration payable in respect of each of the financial years of BALtrans Canada ending 31st October 2006 and 31st October 2007 shall be one half of the amount by which Net Profit After Tax for that year exceeds C\$1,840,000.

Staff and Employment

As at 31st January 2002, the Group employed a total workforce of 546 (31st July 2001: 487). Total staff remuneration for the six months ended 31st January 2002 was HK\$54,541,000 including pension expenses of HK\$2,684,000 (1st August 2000-31st January 2001: HK\$51,358,000, including pension expenses of HK\$2,453,000). 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.

Future Prospects

It is generally believed that the global economic slowdown has probably bottomed out and a gradual recovery of the US market is now on the horizon. Overall business environment is expected to take an upturn and as a result, we believe the freight forwarding industry will pick up again toward the second half of 2002.

Our strategy of expansion through acquisitions has been effective. The Group's enlarged network in the Mainland China will provide comprehensive coverage in Northern and Southern China, which is quite a unique advantage in the industry. This, coupled with the Group's breadth of freight forwarding and logistics services, will create business opportunities for the Group. Moreover, there is much room for growth from our Singapore operations through the newly acquired businesses.

In view of the general expectation of a quick rebound from the setback caused by the terrorist attacks on the US, we are confident that our operations in Asia, especially Hong Kong and the Mainland China, will be able to benefit. Furthermore, China's World Trade Organisation full membership status and Hong Kong's increasingly important role as a regional logistics hub will also provide growth potential for the industry and the Group.

Conclusion

I wish to thank the members of the Board for their guidance 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.

SHARE OPTIONS

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 of 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.

Details of the share options outstanding as at 31st January 2002 which have been granted under the scheme are as follows:

Date of grant	Sub- scription price per share Exercise HK\$ period	Options outstanding at 1st August 2001	Options exercised during the period	Options outstanding at 31st January 2002
13th March 1997	0.8336 1st July 1998 to 12th March 2003	550,000	(200,000)	350,000
13th March 1997	0.8336 1st January 2001 to 12th March 2003	<u>1,700,000</u>	<u>(650,000)</u>	<u>1,050,000</u>
		<u>2,250,000</u>	<u>(850,000)</u>	<u>1,400,000</u>

850,000 shares were exercised during the period, the weighted average closing price per share was HK\$1.494

On 28th December 2001, the Company has adopted a new share option scheme (the "New Option Scheme"), pursuant to which the Company may grant options without initial payment to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant

of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the Directors from time to time to subscribe for shares of the Company. The subscription price of the shares under the New Option Scheme will be the highest of (i) the nominal value of the Shares; (ii) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant; and (iii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business day immediately preceding the Date of Grant of (where applicable) such price as from time to time adjusted pursuant to the Scheme.

Apart from the above, at no time during the period was the Company or its subsidiaries a party to any arrangements 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 2002, the interests of the directors, chief executives and their associates in the shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

	Number of shares				Total
	Personal Interests	Family Interests	Corporate interests	Other interests	
LAU Siu Wing, Anthony (<i>note</i>)	—	72,386,000	—	—	72,386,000
WAI Chung Hung, David	32,942,000	—	—	—	32,942,000
BIRD Hugh Purton, William	57,591,200	—	—	—	57,591,200
CLARKE John David, Christopher	78,000	—	—	—	78,000

Note:

72,386,000 shares are beneficially owned by Asian Rim Co. Ltd, which is held for the benefit of discretionary trusts of which the spouse and daughter of Mr. LAU Siu Wing Anthony are beneficiaries.

Save as disclosed above and other than certain non-beneficial ordinary shares in subsidiaries held in trust for the Group by Mr. LAU Siu Wing Anthony and Mr. BIRD Hugh Purton William, 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, 2002, 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 their associates 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 internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31st January 2002 with the directors.

On behalf of the Board

Anthony Siu Wing LAU

Chairman and Chief Executive

Hong Kong, 18th April 2002

INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE SIX MONTHS ENDED 31ST JANUARY 2002

		Unaudited	
		Six months ended	
		31st January	
		2002	2001
	Note	HK\$'000	HK\$'000
Turnover	2	629,468	740,528
Cost of services rendered		(501,502)	(600,990)
Gross profit		127,966	139,538
Other revenues		1,413	4,604
Administrative expenses		(103,500)	(103,662)
Operating profit	3	25,879	40,480
Finance costs		(326)	(164)
Share of profits less losses of Jointly controlled entities		112	121
Associated companies		8,031	9,208
Profit before taxation		33,696	49,645
Taxation	4	(2,669)	(4,951)
Profit after taxation		31,027	44,694
Minority interests		(2,810)	(4,490)
Profit attributable to shareholders		28,217	40,204
Dividends	5	7,197	7,172
Basic earnings per share	6	11.8 cents	16.8 cents
Fully diluted earnings per share	6	11.8 cents	16.8 cents

INTERIM FINANCIAL STATEMENTS CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31ST JANUARY 2002 AND 31ST JULY 2001

	Note	Unaudited 31st January 2002 HK\$'000	Restated 31st July 2001 HK\$'000
Goodwill	7	34,403	—
Fixed assets	8	119,730	75,496
Interest in jointly controlled entities		5,545	5,435
Interest in associated companies		48,934	41,913
Current assets			
Trade and other receivables	9	192,882	167,196
Other investments		6,300	3,900
Pledged bank deposits		2,550	2,550
Cash and bank balances		128,189	193,783
		329,921	367,429
Current liabilities			
Trade and other payables	10	161,940	146,049
Current portion of long-term liabilities	11	4,377	425
Taxation payable		6,703	10,077
Bank overdrafts			
Secured		6,524	5,474
Unsecured		1,844	1,434
		181,388	163,459
Net current assets		148,533	203,970
Total assets less current liabilities		357,145	326,814
Financed by:			
Share capital	12	23,990	23,905
Reserves	13	281,867	260,320
2001 proposed final dividend	13	—	23,905
2002 proposed interim dividend	13	7,197	—
Shareholders' funds		313,054	308,130
Minority interests		18,700	17,737
Non-current liabilities			
Long-term liabilities	11	25,194	750
Deferred taxation		197	197
		357,145	326,814

INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 31ST JANUARY 2002

	Unaudited	
	Six months ended	
	31st January	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow from operating activities	6,881	32,840
Net cash outflow from returns on investments and servicing of finance	(25,367)	(20,981)
Total taxation paid	(5,031)	(711)
Net cash outflow from investing activities	(73,078)	(7,388)
Net cash inflow/(outflow) from financing	29,645	(3,856)
Decrease in cash and cash equivalents	(66,950)	(96)
Cash and cash equivalents at the beginning of the period	186,875	150,664
Effect of foreign exchange rate changes	(104)	32
Cash and cash equivalents at the end of the period	<u>119,821</u>	<u>150,600</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	128,189	159,335
Bank overdrafts	(8,368)	(8,735)
	<u>119,821</u>	<u>150,600</u>

INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
 FOR THE SIX MONTHS ENDED 31ST JANUARY 2002

		Unaudited	
		Six months ended	
		31st January	
		2002	2001
	Note	HK\$'000	HK\$'000
Exchange differences arising on translation of accounts of subsidiaries, jointly controlled entities and associated companies	13	<u>(97)</u>	<u>(47)</u>
Losses not recognised in the profit and loss account		(97)	(47)
Profit for the period	13	<u>28,217</u>	<u>40,204</u>
Total recognised gains		28,120	40,157
Goodwill eliminated directly against reserves	13	<u>—</u>	<u>(17,063)</u>
		<u>28,120</u>	<u>23,094</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31st July 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 26	:	Segment reporting
SSAP 30	:	Business combinations

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) *SSAP 9 (revised): Events after the balance sheet date*

In accordance with the SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 13, opening retained earnings of the Group at 1st August 2000 and 2001 have respectively increased by HK\$23,865,000 and HK\$23,905,000, being the reversal of the provision of the proposed final dividend for the respective year which were previously recorded as a liability on the balance sheet date.

(b) *SSAP 26: Segment reporting*

In note 2 to these condensed interim financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

1 Basis of preparation and accounting policies *(continued)*

(c) SSAP 30: Business combinations

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company/jointly controlled entity at the date of acquisition. Goodwill on acquisitions occurring on or after 1st August 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions that occurred prior to 1st August 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisitions prior to 1st August 2001, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

2 Turnover and segment information

The Group is principally engaged in the provision of freight forwarding services.

An analysis of the Group's turnover and results for the six months ended 31st January 2002 and 2001 by geographical segments is as follows:

	Six months ended 31st January 2002					Group
	Hong Kong	North America	Other Southeast Asia countries	Mainland China	Others	
Turnover	406,265	139,335	79,824	3,817	227	629,468
Segment results	17,931	5,433	2,329	43	143	25,879
Finance costs						(326)
Share of profits less losses of						
Jointly controlled entities	—	—	—	112	—	112
Associated companies	6,934	37	621	439	—	8,031
Profit before taxation						33,696
Taxation						(2,669)
Minority interests						(2,810)
Profit attributable to shareholders						28,217

2 Turnover and segment information *(continued)*

	Six months ended 31st January 2001					Group
	Hong Kong	North America	Other Southeast Asia countries	Mainland China	Others	
Turnover	469,186	214,034	54,305	2,035	968	740,528
Segment results	30,365	7,800	1,477	198	640	40,480
Finance costs						(164)
Share of profits less losses of						
Jointly controlled entities	—	—	—	121	—	121
Associated companies	8,392	28	788	—	—	9,208
Profit before taxation						49,645
Taxation						(4,951)
Minority interests						(4,490)
Profit attributable to shareholders						40,204

The analysis of turnover by geographical segments is based on the following criteria:

- (i) Revenues from the rendering of freight forwarding services are attributed to the origin of invoicing.
- (ii) Revenues from other services are attributed on the basis of where the services are performed.

An analysis of the Group's turnover and results for the six months ended 31st January 2002 and 2001 by business segments is as follows:

	Six months ended 31st January			
	Turnover		Segment results	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Air freight	463,043	567,224	17,631	27,234
Sea freight	111,203	111,224	4,758	6,569
Household and exhibition removal services	38,959	42,126	3,249	4,543
Trucking and warehousing services	16,031	19,937	293	2,139
Property letting	232	17	(52)	(5)
	629,468	740,528	25,879	40,480

3 Operating profit

Operating profit is stated after charging the following:

	Six months ended 31st January	
	2002	2001
	HK\$'000	HK\$'000
Amortisation of goodwill	975	—
Depreciation of owned fixed assets	3,446	3,333
Depreciation of leased fixed assets	182	159
Loss on disposals of fixed assets	185	103
	<u> </u>	<u> </u>

4 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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 rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 31st January	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	1,447	2,160
Overseas taxation	210	828
Deferred taxation	—	(128)
	<u> </u>	<u> </u>
	1,657	2,860
Share of taxation attributable to:		
Jointly controlled entities	2	19
Associated companies	1,010	2,072
	<u> </u>	<u> </u>
	2,669	4,951
	<u> </u>	<u> </u>

5 Dividends

	Six months ended 31st January	
	2002	2001
	HK\$'000	HK\$'000
2001 final, paid, of HK 10.0 cents (2001: 2000 final paid of HK 10.0 cents) per share (note (i))	23,905	23,865
2002 interim, proposed on 18th April 2002, of HK3.0 cents (2001: HK 3.0 cents) per share (note (ii))	7,197	7,172
	<u> </u>	<u> </u>
	31,102	31,037
	<u> </u>	<u> </u>

5 Dividends *(continued)*

Notes:

- (i) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the financial statements for the years ended 31st July 2000 and 2001 were HK\$23,865,000 and HK\$23,905,000 respectively. Under the Group's new accounting policy as described in note 1(a), these have been written back against opening reserves as at 1st August 2000 and 2001 in note 13 and are now charged in the period in which they were proposed and declared.
- (ii) At a meeting held on 18th April 2002, the directors declared an interim dividend of HK3.0 cents per share. This proposed dividend is not reflected as a dividend payable in these interim condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st July 2002.

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\$28,217,000 (2001: HK\$40,204,000).

The basic earnings per share is calculated based on the weighted average of 239,309,096 (2001: 238,782,737) ordinary shares in issue during the period. The diluted earnings per share is calculated based on 239,938,773 (2001: 239,702,524) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus 629,677 (2001: 919,787) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7 Goodwill

	HK\$'000
Acquisition of subsidiaries (note 14)	34,084
Acquisition of business	1,294
Amortisation charge (note 3)	<u>(975)</u>
Closing net book amount	<u><u>34,403</u></u>
At 31st January 2002	
Cost	35,378
Accumulated amortisation	<u>(975)</u>
Net book amount	<u><u>34,403</u></u>

8 Fixed assets

	Investment properties in Hong Kong HK\$'000	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold land and buildings outside Hong Kong HK\$'000	Leasehold improve- ments HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Computer system HK\$'000	Total HK\$'000
Opening net book amount	—	56,334	7,442	2,149	4,928	2,636	2,007	75,496
Acquisition of subsidiaries (note 14)	—	—	—	78	16	—	90	184
Additions	13,030	29,002	—	2,866	2,727	71	967	48,663
Disposals	—	—	—	(402)	(486)	—	(104)	(992)
Depreciation charge for the period	—	(844)	(141)	(435)	(929)	(545)	(734)	(3,628)
Exchange adjustment	—	—	—	3	1	—	3	7
Closing net book amount	<u>13,030</u>	<u>84,492</u>	<u>7,301</u>	<u>4,259</u>	<u>6,257</u>	<u>2,162</u>	<u>2,229</u>	<u>119,730</u>

9 Trade receivables

The ageing analysis of the trade receivables including amounts due from jointly controlled entities, associated companies, related companies and minority shareholders was as follows:

	31st January 2002 HK\$'000	31st July 2001 HK\$'000
30 days or below	73,328	76,296
31 — 60 days	48,740	34,749
61 — 90 days	21,887	12,850
Over 90 days	22,898	17,690
	<u>166,853</u>	<u>141,585</u>

The credit terms given to trade customers are determined on an individual basis, with credit period ranging from one month to three months.

10 Trade payables

The ageing analysis of the trade payables including amounts due to jointly controlled entities, associated companies and minority shareholders was as follows:

	31st January 2002 HK\$'000	31st July 2001 HK\$'000
30 days or below	54,557	50,726
31 — 60 days	9,713	4,422
61 — 90 days	1,662	2,027
Over 90 days	5,626	6,609
	<u>71,558</u>	<u>63,784</u>

11 Long-term liabilities

	31st January 2002 HK\$'000	31st July 2001 HK\$'000
Secured bank loan not wholly repayable within five years	27,334	—
Amounts due to minority shareholders	1,567	318
Obligations under finance leases	670	857
	29,571	1,175
Current portion of long-term liabilities	(4,377)	(425)
	25,194	750

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

At 31st January 2002, the Group's bank loan was repayable as follows:

	31st January 2002 HK\$'000	31st July 2001 HK\$'000
Within one year	3,996	—
In the second year	3,996	—
In the third to fifth year	11,988	—
After the fifth year	7,354	—
	27,334	—

Minimum lease payment for finance leases

Within one year	450	506
In the second year	108	234
In the third to fifth year	212	256
	770	996
Future finance charges	(100)	(139)
Present value of finance leases	670	857

Representing:

Within one year	381	425
In the second year	92	192
In the third to fifth year	197	240
	670	857

12 Share capital

	No. of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31st July 2000, 31st July 2001 and 31st January 2002	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st August 2000	238,650,400	23,865
Exercise of options	<u>400,000</u>	<u>40</u>
At 31st July 2001	239,050,400	23,905
Exercise of options	<u>850,000</u>	<u>85</u>
At 31st January 2002	<u>239,900,400</u>	<u>23,990</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 2001	Options exercised during the period	Options outstanding at 31st January 2002
13th March 1997	0.8336	1st July 1998 to 12th March 2003	550,000	(200,000)	350,000
13th March 1997	0.8336	1st January 2001 to 12th March 2003	<u>1,700,000</u>	<u>(650,000)</u>	<u>1,050,000</u>
			<u>2,250,000</u>	<u>(850,000)</u>	<u>1,400,000</u>

13 Reserves

Six months ended 31st January 2002

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2001, as previously reported	83,323	(809)	177,806	260,320
Effect of adopting SSAP 9 (revised) (note 1(a))	—	—	23,905	23,905
At 1st August 2001, as restated	83,323	(809)	201,711	284,225
Exercise of share options	624	—	—	624
Exchange differences	—	(97)	—	(97)
Profit for the period	—	—	28,217	28,217
2001 final dividend paid	—	—	(23,905)	(23,905)
At 31st January 2002	<u>83,947</u>	<u>(906)</u>	<u>206,023</u>	<u>289,064</u>
Representing:				
Reserves				281,867
2002 proposed interim dividend				7,197
				<u>289,064</u>

Year ended 31st July 2001

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2000, as previously reported	83,029	(589)	158,391	240,831
Effect of adopting SSAP 9 (revised) (note 1(a))	—	—	23,865	23,865
At 1st August 2000, as restated	83,029	(589)	182,256	264,696
Exercise of share options	294	—	—	294
Exchange differences	—	(220)	—	(220)
Goodwill on acquisition of additional interest of subsidiaries	—	—	(19,666)	(19,666)
Profit for the year	—	—	70,158	70,158
2000 final dividend paid	—	—	(23,865)	(23,865)
2001 interim dividend paid	—	—	(7,172)	(7,172)
At 31st July 2001	<u>83,323</u>	<u>(809)</u>	<u>201,711</u>	<u>284,225</u>
Representing:				
Reserves				260,320
2001 proposed final dividend				23,905
				<u>284,225</u>

13 Reserves (continued)

Included in the Group's retained profits are accumulated losses of HK\$2,394,000 (31st July 2001: HK\$2,504,000) and retained profits of HK\$40,950,000 (31st July 2001: HK\$33,929,000) attributable to jointly controlled entities and associated companies respectively.

14 Acquisition

On 1st November 2001, the Group acquired 70% equity interest in BALtrans Logistics (Canada) Limited which engages in freight forwarding business and is incorporated in Canada. The consideration is HK\$34,262,000, of which HK\$21,588,000 has been settled in cash before 31st January 2002 and the remainings are payable annually in the following four consecutive financial years. The details of the conditional consideration have been set out in note 15(c). The goodwill arising from the acquisition of HK\$34,084,000 will be amortised on a straight-line basis over 10 years. The acquired business contributed turnover of HK\$15,645,000 to the Group for the period from 1st November 2001 to 31st January 2002.

The assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Fixed assets (note 8)	184
Other assets less liabilities	<u>(6)</u>
Fair value of net assets	178
Goodwill (note 7)	<u>34,084</u>
Total purchase consideration	<u><u>34,262</u></u>

15 Contingent liabilities

- (a) At 31st January 2002, the Group has provided guarantees to banks in respect of banking facilities granted to an associated company amounting to HK\$7.5 million (31st July 2001: HK\$7.5 million) of which HK\$4.3 million (31st July 2001: HK\$3.5 million) has been utilised.
- (b) Pursuant to the sale and purchase agreement for the acquisition of an additional 20% equity interest in Fondair Express (HK) Limited ("Fondair") in December 2000, the consideration for the acquisition will be adjusted in the event that 20% of the Profit After Taxation as shown in the audited accounts of Fondair for the four consecutive financial years ending on 31st July 2004 exceeds HK\$18,000,000 in aggregate, each of the two vendors will be entitled to a total of 25% of the cumulative excess, subject to a maximum amount of HK\$15,000,000 for each of the vendors.
- (c) Pursuant to the sale and purchase agreement for the acquisition of 70% equity interest in BALtrans Logistics (Canada) Limited ("BALtrans Canada") in November 2001, the additional consideration payable in respect of each of the financial years of BALtrans Canada ending 31st October 2006 and 31st October 2007 shall be one half of the amount by which Net Profit After Tax for that year exceeds C\$1,840,000.

16 Operating lease commitments

At 31st January 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	31st January 2002 HK\$'000	31st July 2001 HK\$'000
Within one year	8,809	9,296
In second to fifth year inclusive	2,111	4,297
	<u>10,920</u>	<u>13,593</u>

17 Future operating lease receivables

At 31st January 2002, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	31st January 2002 HK\$'000	31st July 2001 HK\$'000
Within one year	423	—
In second to fifth year inclusive	262	—
	<u>685</u>	<u>—</u>

18 Related party transactions

During the period, the Group had the following material related party transactions carried out in the normal course of the Group's business:

		Six months ended 31st January 2002 HK\$'000	2001 HK\$'000
Jointly controlled entities			
Forwarding income received	(a)	2,595	271
Forwarding costs paid	(a)	<u>5,802</u>	<u>2,261</u>
Associated companies			
Forwarding income received	(a)	27,666	40,326
Forwarding costs paid	(a)	5,350	8,910
Management fee received	(b)	141	423
Warehousing income received	(b)	<u>2,251</u>	<u>3,046</u>

(a) These transactions were conducted at normal commercial terms comparable with other third parties.

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

On behalf of the Board
Anthony Siu Wing LAU
Chairman

Blueprint for expansion of the BALtrans network in China

保昌在中國擴展網絡的發展藍圖



● Existing Offices 現有辦事處

▲ New Offices Opening Soon 即將開設之辦事處



Dalian 大連

Qingdao 青島

Shanghai 上海

Fuzhou 福州

Taipei 台北

Xiamen 廈門

Hong Kong 香港

Shenzhen 深圳