

2003 interim report



• Airfreight • Seafreight • Third-Party Logistics • Exhibition Forwarding & Household Removal |||



Symbol of Quality Logistics Services

HIGHLIGHTS

- Overall business results were encouraging on the back of strong export growth.
- Turnover was HK\$848.2 million and profit attributable to shareholders was HK\$56.7 million.
- Basic earnings per share were HK23.5 cents and interim dividend was HK3.0 cents per share.
- Acquisition of the Jardine Logistics Group in late January would strengthen the Group's logistics capabilities in all markets. Nevertheless the Jardine Logistics results were not included in the period under review.
- Disposal of two investments in Hong Kong brought a net gain of HK\$21.5 million.
- The Group increased its shareholdings in Supreme Airfreight Co. Ltd. to 86.5%.
- The Group is cautious on the outlook as the impact of the war in Iraq is yet to be determined, and the outbreak of SARS caused airlines to reduce capacity and adversely affects the external trade of Hong Kong and the Pearl River Delta.

INTERIM RESULTS

The Directors of BALtrans Holdings Limited (the "Company") are pleased to present the Interim Report and unaudited condensed financial statements of the Company and its subsidiaries (collectively the "Group") for the six-months ended 31st January 2003. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six-months ended 31st January 2003, and the consolidated balance sheet as at 31st January 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 10 to 27 of this report.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.0 cents per share (2002 interim: HK3.0 cents per share). The interim dividend will be payable on or before Tuesday, 27th May 2003 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 14th May 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 12th May 2003 to Wednesday, 14th May 2003 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, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, no later than 4:00 p.m. on Friday, 9th May 2003. Dividend warrants will be dispatched to the shareholders on or before Tuesday, 27th May 2003.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The second half of 2002 saw a small recovery in global trade. The freight forwarding industry performed well on the back of strong export growth. The Group was able to exploit opportunities arising from the economic recovery as well as enhanced capabilities as a result of recent acquisitions achieving growth in both revenue and market share.

In December 2002, the Group announced the acquisition of Jardine Logistics Group, a freight forwarding business with a broad geographic base wholly-owned by Jardine Pacific Holdings Limited. The acquisition was a timely move to strengthen the Group's presence in the UK and European markets and complement its global coverage of logistics services to fuel future growth.

Upon completion of the transaction in early 2003, Jardine Pacific Holdings Limited became a 20%-shareholder in the enlarged group, now one of the largest Asian-based logistics companies.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review *(Continued)*

With key strengths in airfreight forwarding logistics, the Group benefits from the complementary revenue source of the acquisition and savings through shared resources. As the acquisition was completed on 30th January 2003, no contribution from Jardine Logistics was reflected in the results for the first half of the 2003 fiscal year whereas its assets and liabilities were consolidated at their fair value in order to reflect the Group's financial situation as at 31st January 2003. The Jardine Logistics acquisition closes the gap in the Group's UK/Europe link, and positions the Group as a true worldwide player. Synergy is achieved through sharing of common back office facilities while combining the marketing strengths of BALtrans in airfreight with that of Jardine Logistics in seafreight. The Group would derive long-term benefit from this acquisition as the Jardine Logistics businesses complement those of BALtrans.

During the six months ended 31st January 2003, the Group achieved a total turnover of HK\$848,221,000 and profit attributable to shareholders of HK\$56,713,000, representing an increase of 34.8% and 101.0% respectively over the same period last year. Basic earnings per share were HK23.5 cents, compared to HK11.8 cents for 2002 interim.

Airfreight — During the six-month period, airfreight remained the chief contributor to the Group's revenue. Turnover achieved 38.2% growth which was mainly attributable to the huge demand of airfreight services during the strike of West Coast dock workers in October last year. In general, the business performed well even without the unexpected surge in demand.

Seafreight — The business continued to generate stable income for the Group with 31.8% increase in turnover. Eastbound traffic to North America kept on growing at a satisfactory rate as a result of successful marketing efforts in the North American market.

Third-party logistics — The Group continued to promote outsourcing of logistics activities to customers. With expanded capabilities from the acquisition of Jardine Logistics and an increased customer base, the potential for this sector looks good.

Exhibition & Household Removal — Exhibition business increased by 97.3% mainly because of cyclical reasons while household removal suffered a decline.

Liquidity and Financial Resources

As at 31st January 2003, the Group possessed cash and cash equivalents of HK\$143,084,000 (31st July 2002: HK\$110,370,000).

Total spending on fixed assets was lower than the same period last year. In the six months ended 31st January 2003, HK\$2,173,000 (2002: HK\$48,663,000) was paid for the purchase of fixed assets.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)***Liquidity and Financial Resources** *(Continued)*

During the period under review, HK\$11,734,000 (31st January 2002: HK\$32,048,000) was invested in subsidiaries.

The Group's funding requirements have been financed mainly by internal resources with some overdraft facilities granted by banks.

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

Since the Group usually conducts its business transactions in Hong Kong Dollars and US 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 may use overdraft facilities in foreign currencies but the amounts involved are usually too small to necessitate hedging.

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

The majority of the Group's cash is in either Hong Kong Dollars or US Dollars. Exposure to exchange fluctuations is minimal. The gearing ratio (total long-term liabilities/total shareholders' funds) for the period was 0.066 (31st July 2002: 0.097).

Charges on Group Assets

The whole first floor of Sunshine Kowloon Bay Cargo Centre and the whole floor of New Mandarin Plaza, Tower A, 8th floor were charged to a bank in exchange for general banking facilities for the Group. The Group has placed fixed deposits totaling HK\$1,865,000 (31st July 2002: HK\$2,272,000) as securities for banking facilities extended to the Group.

Core Investments and Acquisitions

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

On 24th December 2002, the Group entered into a Sale & Purchase Agreement with Jardine Pacific Holdings Ltd. and Jardine Asian Holdings Inc. to acquire 100% of Jardine Logistics Group ("JLG") at a consideration of 60,300,100 shares of our company. The vendors warranted that the Net Asset Value of JLG would be HK\$90,000,000 of which there should be a net cash balance of HK\$12,000,000. The transaction was completed on 30th January 2003 following approval at the Special General Meeting held on 28th January 2003.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Core Investments and Acquisitions *(Continued)*

On 10th January 2003, the Group increased its interests in Supreme Airfreight Co. Ltd. from 74% to 86.5% by acquiring 12.5% from a minority shareholder. Consideration paid amounted to HK\$8,230,000 which is subject to adjustments in accordance with the earnings of the next three years.

On 24th January 2003, the Group entered into a Sale & Purchase Agreement with Wilson Denmark Holdings A/S to dispose of the Group's interests in Wilson Freight (Far East) Ltd. and Wilson (FE) Ltd., in which the Group held 49.5% each, at a considerations of HK\$60,000,000 and HK\$3,000,000 respectively. During the same period, the Group disposed of investments in Vectra Group resulting in a loss. These disposals altogether resulted in a net gain of HK\$21,493,000.

The Group is now free to enter into the Scandinavian market which the Group was previously excluded from because of the agreement with Wilson Group.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 15.

Staff and Employment

As at 31st January 2003, the Group employed a workforce of 1,216 (31st July 2002: 546), of which 574 are from the existing BALtrans operations and 642 are from the Jardine Logistics business. Total staff remuneration for the six months ended 31st January 2003 was HK\$61,432,000 including pension expenses of HK\$2,840,000 (1st August 2001 – 31st January 2002: HK\$54,541,000 including pension expenses of HK\$2,684,000). No share options were 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.

Outlook

The Group remains wary of the economic impact of the recent war in Iraq. The outbreak of SARS could also impact its business in two areas: firstly, it may slow down external trade in Hong Kong and the Pearl River Delta, and secondly, reduced numbers of passengers caused airlines to reduce flight frequency and thus reduce cargo capacity. In view of this, the Group recognizes that its performance in the second half may be impacted.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)***Outlook** *(Continued)*

However, with a solid network and resources, our core business of freight forwarding will continue to build and exploit potential opportunities. Third-party logistics is an area of growth fuelled by the expanded capabilities through the acquisition of Jardine Logistics.

Major opportunities continue to exist especially in China, the UK and European markets where we now have an enlarged network and enhanced capability to meet the global needs of clients. Our strategy of growth through acquisitions has worked well and we will continue to identify appropriate acquisition opportunities.

Conclusion

I wish to thank our Shareholders for their continued support and the Board of Directors for their sound advice. I would also like 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.

SHARE OPTIONS *(Continued)*

Details of the share options outstanding as at 31st January 2003 which have been granted under the scheme are as follows:

Date of grant	Subscription Price per share <i>HK\$</i>	Exercise period	Options outstanding at 31st July 2002 and at 31st January 2003
13th March 1997	0.8336	1st July 1998 to 12th March 2003	50,000
13th March 1997	0.8336	1st January 2001 to 12th March 2003	50,000
			100,000

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 days 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 2003, the interests of the directors and the chief executive 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 SDI 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
YU Hon To, David	–	–	–	–	–
RILEY Peter James Holland	–	–	–	–	–

Note: 72,386,000 shares are beneficially owned by Asian Rim Co. Ltd. which is wholly owned by brother and brother-in-law of Mr. Anthony Siu Wing LAU as the trustee of a discretionary trust of which Mr. LAU Siu Wing Anthony is beneficiary.

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.

None of the directors (including their spouse and children under 18 years of age) have been granted, or have exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st January 2003, according to the register kept by the Company under Section 16(1) of SDI Ordinance, other than the directors of the Company, the following persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of the Company:

Name	Number of Issued shares	Percentage holding
Asian Rim Company Limited	72,386,000	24.01%
Fledgeling Nominees International Ltd.	60,300,100	20.00%

Save as disclosed above, the Company had no notice of any interests representing 10% or more of the issued share capital of the Company which was required to be recorded under Section 16(1) of the SDI Ordinance as at 31st January 2003.

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 2003 with the directors.

On behalf of the Board

Anthony Siu Wing Lau

Chairman and Chief Executive

Hong Kong, 17th April 2003

INTERIM FINANCIAL STATEMENTS CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January 2003

		Unaudited	
		Six months ended	
		31st January	
		2003	2002
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	848,221	629,236
Cost of services rendered		(693,311)	(501,502)
Gross profit		154,910	127,734
Other revenues		22,221	1,645
Administrative expenses		(121,893)	(103,500)
Operating profit	3	55,238	25,879
Finance costs		(510)	(326)
Share of profits less losses of			
Jointly controlled entities		482	112
Associated companies		10,003	8,031
Profit before taxation		65,213	33,696
Taxation	4	(5,435)	(2,669)
Profit after taxation		59,778	31,027
Minority interests		(3,065)	(2,810)
Profit attributable to shareholders		56,713	28,217
Dividends	5	9,045	7,197
Earnings per share			
Basic	6	23.5 cents	11.8 cents
Fully diluted	6	23.5 cents	11.8 cents

INTERIM FINANCIAL STATEMENTS CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January 2003 and 31st July 2002

		Unaudited 31st January 2003 HK\$'000	Audited 31st July 2002 HK\$'000
	Note		
Fixed assets	7	147,923	119,017
Goodwill	8	106,455	33,161
Interest in jointly controlled entities		8,483	8,110
Interest in associated companies		27,265	52,353
Current assets			
Trade and other receivables	9	561,805	253,749
Other investments		1,971	4,304
Pledged bank deposits		1,865	2,272
Cash and bank balances		192,667	121,856
		758,308	382,181
Current liabilities			
Trade and other payables	10	373,614	175,892
Current portion of long-term liabilities	11	35,829	7,382
Taxation payable		5,032	8,586
Short-term bank loan, secured		678	1,772
Bank overdrafts			
Secured		48,766	9,824
Unsecured		817	1,662
		464,736	205,118
Net current assets		293,572	177,063
Total assets less current liabilities		583,698	389,704

INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 31st January 2003 and 31st July 2002

	Note	Unaudited 31st January 2003 HK\$'000	Audited 31st July 2002 HK\$'000
Financed by:			
Share capital	12	30,150	24,120
Reserves		488,589	287,510
2002 proposed final dividend	5	—	24,120
2003 proposed interim dividend	5	9,045	—
Shareholders' funds		527,784	335,750
Minority interests		13,765	21,078
Non-current liabilities			
Long-term liabilities	11	34,944	32,646
Deferred taxation		7,205	230
		583,698	389,704

INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January 2003

	Unaudited	
	Six months ended	
	31st January	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	6,632	(23,517)
Net cash generated from/(used in) investing activities	29,084	(73,078)
Net cash (used in)/generated from financing activities	(2,836)	29,645
	<hr/>	<hr/>
Increase/ (decrease) in cash and cash equivalents	32,880	(66,950)
Cash and cash equivalents at 1st August	110,370	186,875
Effect of foreign exchange rate changes	(166)	(104)
	<hr/>	<hr/>
Cash and cash equivalents at 31st January	143,084	119,821
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	192,667	128,189
Bank overdrafts	(49,583)	(8,368)
	<hr/>	<hr/>
	143,084	119,821
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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January 2003

	Six months ended 31st January 2003				
	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2002	24,120	84,900	(808)	227,538	335,750
Issue of new shares	6,030	150,750	—	—	156,780
Exchange differences	—	—	(148)	—	(148)
Goodwill realised upon liquidation of a subsidiary	—	—	—	(38)	(38)
Goodwill realised upon disposal of associated companies	—	—	—	2,847	2,847
Profit for the period	—	—	—	56,713	56,713
2002 final dividend paid	—	—	—	(24,120)	(24,120)
At 31st January 2003	30,150	235,650	(956)	262,940	527,784

	Six months ended 31st January 2002				
	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2001	23,905	83,323	(809)	201,711	308,130
Exercise of share options	85	624	—	—	709
Exchange differences	—	—	(97)	—	(97)
Profit for the period	—	—	—	28,217	28,217
2001 final dividend paid	—	—	—	(23,905)	(23,905)
At 31st January 2002	23,990	83,947	(906)	206,023	313,054

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 2002 annual financial statements.

The accounting policies and methods of computation 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 2002 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 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 34 (revised):	Employee benefits

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

(a) **SSAP 11 (revised): Foreign currency translation**

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(b) **SSAP 34 (revised): Employee benefits**

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

(iii) *Equity compensation benefits*

No employee benefits cost is recognized when share options are granted. When the share options are exercised, equity is increased by the amount of the proceeds received.

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 2003 and 2002 by geographical segments is as follows:

	Six months ended 31st January 2003					Group HK\$'000
	Hong Kong HK\$'000	North America HK\$'000	Other Southeast Asia countries HK\$'000	Mainland China HK\$'000	Others HK\$'000	
Turnover	485,354	270,788	86,309	3,740	2,030	848,221
Segment results	31,407	1,839	32	236	231	33,745
Net gain on disposal of associated companies						21,493
						55,238
Finance costs						(510)
Share of profits less losses of Jointly controlled entities	-	-	-	482	-	482
Associated companies	7,929	(2)	963	1,054	59	10,003
Profit before taxation						65,213
Taxation						(5,435)
Minority interests						(3,065)
Profit attributable to shareholders						56,713

2 Turnover and segment information (Continued)

	Six months ended 31st January 2002					Group HK\$'000
	Hong Kong HK\$'000	North America HK\$'000	Other Southeast Asia countries HK\$'000	Mainland China HK\$'000	Others HK\$'000	
Turnover	406,033	139,335	79,824	3,817	227	629,236
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

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.

2 Turnover and segment information *(Continued)*

An analysis of the Group's turnover and results for the six months ended 31st January 2003 and 2002 by business segments is as follows:

	Six months ended 31st January			
	Turnover		Segment results	
	2003 HK\$'000	2002 <i>HK\$'000</i>	2003 HK\$'000	2002 <i>HK\$'000</i>
Air freight	640,042	463,043	22,818	17,579
Sea freight	146,576	111,203	5,577	4,758
Exhibition and household removal services	45,298	38,959	4,923	3,249
Trucking and warehousing services	16,305	16,031	427	293
	848,221	629,236	33,745	25,879
Net gain on disposal of associated companies			21,493	
			55,238	

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended	
	31st January	
	2003 HK\$'000	2002 <i>HK\$'000</i>
Crediting		
Net gain on disposal of associated companies	21,493	—
Charging		
Amortisation of goodwill	1,967	975
Depreciation of owned fixed assets	3,825	3,446
Depreciation of leased fixed assets	190	182
Loss on disposals of fixed assets	112	185

4 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax	1,792	1,447
Overseas taxation	2,032	210
	3,824	1,657
Share of taxation attributable to:		
Jointly controlled entities	109	2
Associated companies	1,502	1,010
	5,435	2,669

5 Dividends

	Six months ended	
	31st January	
	2003	2002
	HK\$'000	HK\$'000
2002 final, paid, of HK10.0 cents (2002: HK10.0 cents) per share	24,120	23,905
2003 interim, proposed on 17th April 2003, of HK3.0 cents (2002: HK3.0 cents) per share (Note)	9,045	7,197
	33,165	31,102

Note: At a meeting held on 17th April 2003, 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 profits for the year ending 31st July 2003.

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\$56,713,000 (2002: HK\$28,217,000).

The basic earnings per share is calculated based on the weighted average of 241,528,118 (2002: 239,309,096) ordinary shares in issue during the period. The diluted earnings per share is based on 241,584,593 (2002: 239,938,773) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus 56,475 (2002: 629,677) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7 Fixed assets

	Investment properties in Hong Kong HK\$'000	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold land and buildings		Leasehold improvements HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Computer system HK\$'000	Total HK\$'000
			outside Hong Kong						
			HK\$'000						
Opening net book amount	4,623	91,794	7,160		6,156	5,312	1,905	2,067	119,017
Acquisition of subsidiaries	–	–	–		2,125	5,441	2,132	21,110	30,808
Additions	–	–	–		329	752	691	401	2,173
Disposals	–	–	–		(84)	(31)	–	(4)	(119)
Depreciation charge for the period	–	(1,042)	(141)		(810)	(783)	(514)	(725)	(4,015)
Exchange adjustment	–	–	–		16	5	9	29	59
Closing net book amount	4,623	90,752	7,019		7,732	10,696	4,223	22,878	147,923

8 Goodwill

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Opening net book amount	33,161	–
Acquisition of subsidiaries	74,941	34,049
Acquisition of business	272	1,891
Exchange adjustment	48	37
Amortisation charge (<i>note 3</i>)	(1,967)	(2,816)
Closing net book amount	106,455	33,161

9 Trade and other 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 2003 HK\$'000	31st July 2002 HK\$'000
30 days or below	211,503	119,453
31 – 60 days	140,124	53,295
61 – 90 days	56,383	22,995
Over 90 days	57,477	6,584
	465,487	202,327

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

10 Trade and other 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 2003 HK\$'000	31st July 2002 HK\$'000
30 days or below	127,867	71,289
31 – 60 days	42,809	12,793
61 – 90 days	6,257	1,144
Over 90 days	23,873	9,320
	200,806	94,546

11 Long-term liabilities

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Deferred consideration payable (note 15c)	12,674	12,674
Amounts due to minority shareholders (note a)	1,801	1,552
Secured bank loan not wholly repayable within five years (note b)	55,825	25,336
Obligations under finance leases (note c)	473	466
	70,773	40,028
Current portion of long-term liabilities	(35,829)	(7,382)
	34,944	32,646

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

(b) At 31st January 2003, the Group's bank loan was payable as follows:

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Within one year	35,712	3,996
In the second year	4,510	3,996
In the third to fifth year	12,245	11,988
After the fifth year	3,358	5,356
	55,825	25,336

11 Long-term liabilities (Continued)

(c) Minimum lease payments for finance leases:

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Within one year	144	257
In the second year	122	100
In the third to fifth year	223	170
After the fifth year	62	—
	551	527
Future finance charges	(78)	(61)
Present value of finance leases	473	466
Representing:		
Within one year	117	217
In the second year	104	87
In the third to fifth year	201	162
After the fifth year	51	—
	473	466

12 Share capital

	No. of shares	HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each At 31st January 2003	500,000,000	50,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each At 1st August 2002	241,200,400	24,120
Issue of new shares	60,300,100	6,030
At 31st January 2003	301,500,500	30,150

60,300,100 ordinary shares of HK\$2.6 each were issued on 30th January 2003 at a premium of HK\$2.5 each as consideration for the acquisition of subsidiaries (note 14).

12 Share capital *(Continued)*

No share options were exercised during the period. Details of outstanding share options granted pursuant to the share option scheme are as follows:

Date of grant	Subscription price per share <i>HK\$</i>	Exercisable period	Options outstanding at 31st July 2002 and at 31st January 2003
13th March 1997	0.8336	1st July 1998 to 12th March 2003	50,000
13th March 1997	0.8336	1st January 2001 to 12th March 2003	50,000
			<u>100,000</u>

13 Reserves

Included in the Group's retained profits are accumulated losses of HK\$1,826,000 (31st July 2002: HK\$2,199,000) and retained profits of HK\$13,639,000 (31st July 2002: HK\$44,368,000) attributable to jointly controlled entities and associated companies respectively.

14 Acquisition

On 10th January 2003, the Group increased its interest in Supreme Airfreight Company Limited from 74% to 86.5% by acquiring 12.5% from a minority shareholder at a consideration of HK\$8,230,000. This amount will, however, be subject to adjustment in accordance with the earnings of the business for the next three years.

In addition, on 30th January 2003, the Group acquired 100% of the issued share capital of Jardine Logistics Holdings Ltd and its subsidiaries ("JL Group") which engages in the freight forwarding business worldwide. In accordance with the sale and purchase agreement, the Company issued 60,300,100 shares, representing the then 20% of the enlarged issued share capital of the Company, to the vendors. Subject to the completion audit of JL Group, if the net assets of JL Group on the completion date are less than HK\$90 million, the vendors will contribute the amount of the shortfall in cash to JL Group. If the net assets are higher, JL Group will issue a promissory note to the vendors to repay the excess balance. The promissory note is unsecured, interest free and repayable within one year. The goodwill arising from the acquisition was HK\$70,998,000. As the acquisition only completed at the end of January 2003, no contribution from the acquired business is recorded in the period.

15 Contingent liabilities

- (a) At 31st January 2003, the Group has provided guarantees to banks in respect of banking facilities granted to an associated company and jointly controlled entities amounting to HK\$7.5 million and HK\$18.8 million respectively (31st July 2002: HK\$7.5 million and HK\$ nil) of which HK\$5.0 million and HK\$17.9 million (31st July 2002: HK\$3.5 million and HK\$ nil) has been utilised.

At 31st January 2003, the Group has provided guarantees to an airline company for credit facilities of a third party amounting to HK\$1.0 million (31st July 2002: HK\$1.0 million) which have been fully utilised.

- (b) In October 2000, the Group acquired an additional 20% equity interest in Fondair Express (HK) Limited ("Fondair") at a consideration of HK\$19,276,000. The consideration for the acquisition will be adjusted in favour of the vendors 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 million 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 million for each of the vendors.

The vendors also undertake to pay to the Group for any shortfall in profit, in the event that 20% of the profit after taxation as shown in the audited accounts of Fondair for each of the four financial years ending on 31st July 2004 is less than HK\$3,825,000, or if 20% of the aggregate profit after taxation as shown in the audited accounts of Fondair for the four consecutive financial years ending on 31st July 2004 is less than HK\$18 million.

- (c) In November 2001, the Group acquired a 100% equity interest in Corporate Century Company Limited ("Corporate Century"), which in turn holds a 70% equity interest in BALtrans Logistics (Canada) Limited ("BALtrans Canada") at a consideration of C\$6,440,000 with contingent consideration payable in 2007 and 2008. An initial consideration of C\$3,864,000 was paid upon completion of the transaction. The remaining consideration of C\$2,576,000 (approximately HK\$12,674,000) (note 11) is payable by four equal annual instalments commencing in 2003. The contingent consideration payable in 2007 and 2008 shall be one half of the amount, if any, by which net profit after tax of BALtrans Canada for each of the financial years ending on 31st October 2006 and 31st October 2007 exceeds C\$1,840,000.

The vendors undertake to pay to the Group in respect of each of the financial years ending on 31st October in 2002, 2003, 2004 and 2005 an amount equal to any amount by which 70% of the net profit after tax for that financial year is less than C\$1,288,000 but provided that in no event shall the aggregate amount of all payments under this profit guarantee arrangement exceed C\$5,152,000.

- (d) On 10th January 2003, the Group increased its interest in Supreme Airfreight Company Limited from 74% to 86.5% by acquiring 12.5% from a minority shareholder at a consideration of HK\$8,230,000. This amount will, however, be subject to adjustment in accordance with the earnings of the business for the next three years but provided that in no event shall the consideration exceeds HK\$9,999,999.

16 Capital commitments

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Contracted but not provided for	7,223	7,223

The Group has entered into two sale and purchase agreements for joint ventures in Qingdao and Xiamen respectively. Pursuant to these agreements, the Group is committed to pay a total consideration of HK\$7,223,000 between 2003 and 2006.

17 Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Not later than one year	46,032	6,501
Later than one year and not later than five years	73,457	2,386
Later than five years	20,820	58
	140,309	8,945

18 Other commitments

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Foreign exchange forward contract	—	15,618

19 Future operating lease receivables

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	31st January 2003 HK\$'000	31st July 2002 HK\$'000
Not later than one year	356	517
Later than one year and not later than five years	40	137
	396	654

20 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	
		2003	2002
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Jointly controlled entities			
Forwarding income received	<i>(a)</i>	2,391	2,595
Forwarding costs paid	<i>(a)</i>	6,910	5,802
Associated companies			
Forwarding income received	<i>(a)</i>	33,202	27,666
Forwarding costs paid	<i>(a)</i>	4,982	5,350
Management fee received	<i>(b)</i>	81	141
Warehousing income received	<i>(b)</i>	2,707	2,251

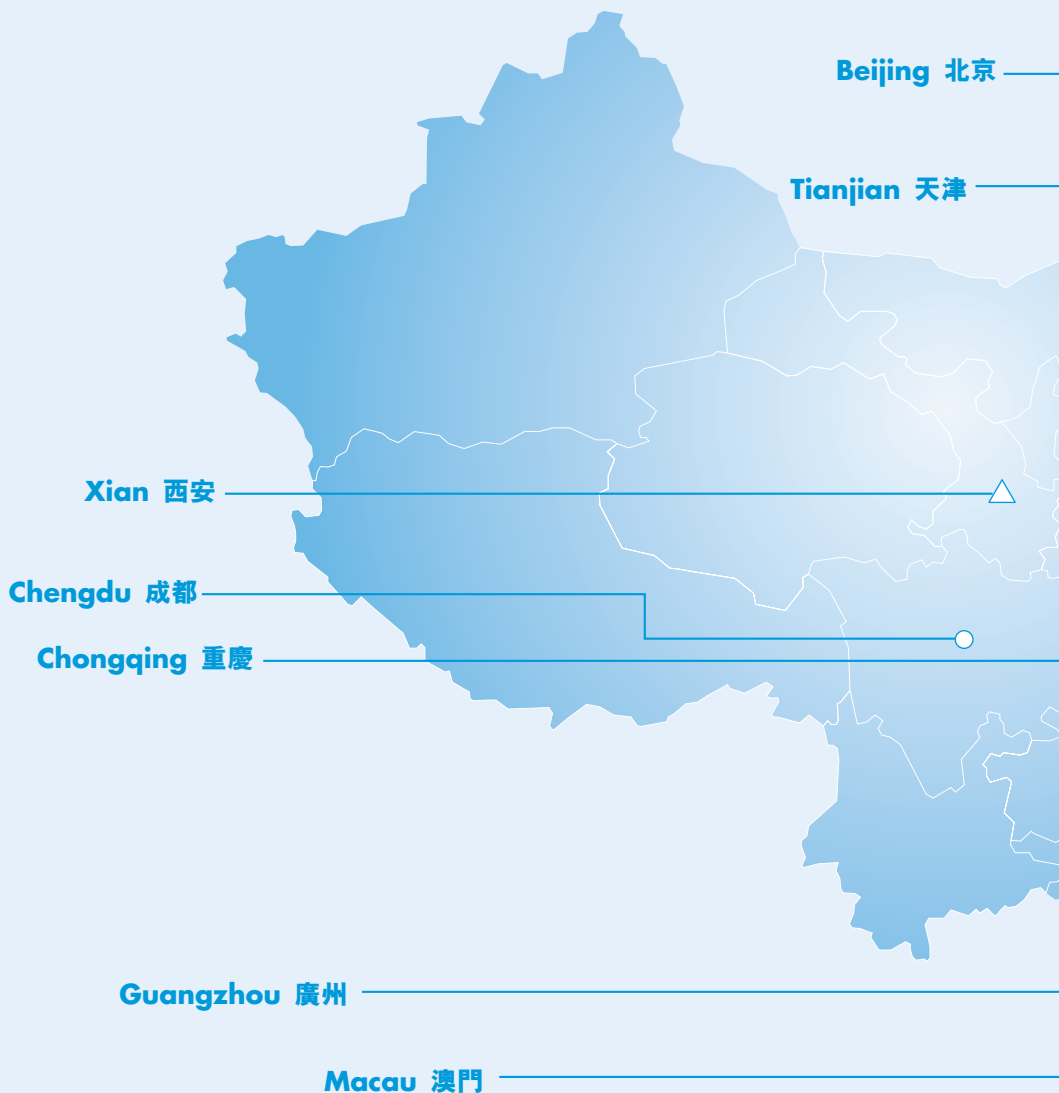
- (a) These transactions were conducted at terms similar to those applicable to transactions with unrelated parties.
- (b) Management fee income and warehousing income were mainly from Wilson Freight (Far East) Limited and were charged at agreed rates.

On behalf of the Board
Anthony Siu Wing LAU
Chairman

Hong Kong, 17th April 2003

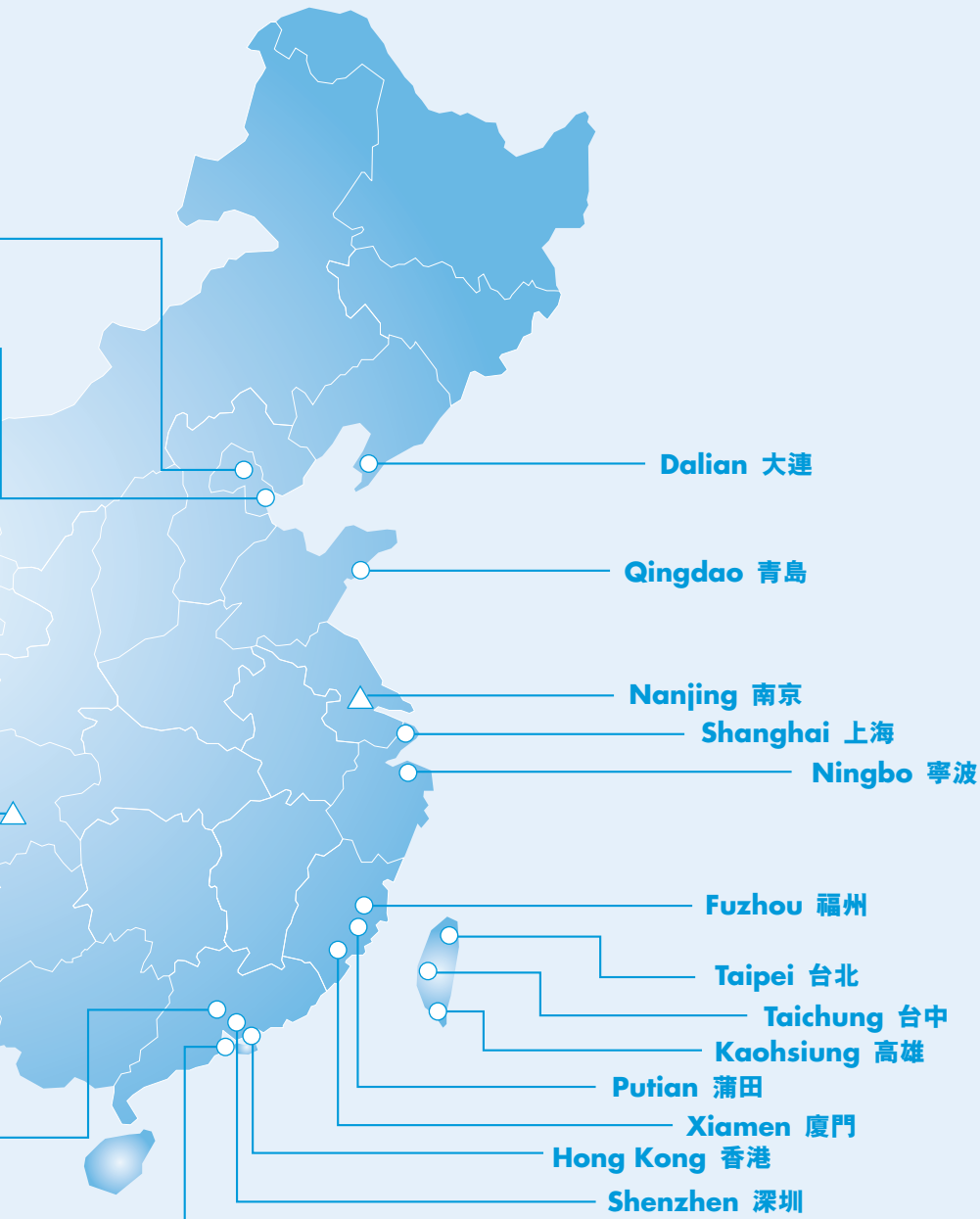
Blueprint for expansion of the BALtrans network in China

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

Nanjing 南京

Shanghai 上海

Ningbo 寧波

Fuzhou 福州

Taipei 台北

Taichung 台中

Kaohsiung 高雄

Putian 莆田

Xiamen 廈門

Hong Kong 香港

Shenzhen 深圳