



Symbol of Quality Logistics Services

A central hub of white lines connects five white circles, each containing a service name. The circles are arranged around the central hub: Airfreight at the top, Exhibition Forwarding at the top right, Household Removal at the bottom right, Seafreight at the bottom left, and Third-Party Logistics at the middle left. The background of the left side of the page features a vertical strip with images of a cargo ship, a cargo plane, and computer keyboard keys.

Airfreight

Third-Party Logistics

Exhibition Forwarding

Seafreight

Household Removal

Interim
Report

2004

BALtrans Holdings Limited
(Incorporated in Bermuda with limited liability)

HIGHLIGHTS

- Successfully turned around the Jardine Logistics operations in Asia and the UK while narrowing its operating losses in the US during the six months under review.
- Turnover increased by 89% to HK\$1,605.1 million.
- Profit attributable to shareholders dropped 59% to HK\$23.3 million mainly due to several non-recurrent factors and continuing operating losses of Jardine Logistics in the US.
- Earnings per share of HK7.7 cents.
- Interim dividend of HK3.0 cents per share.
- Focus on expansion of customer base, debtor collection and further cost synergies post-integration over the next twelve months.
- Despite the short term challenges, the Group is optimistic that the restructuring and integration efforts will begin to bear fruit and benefit the Group in the coming year.

The directors are pleased to present the Group's Interim Report and unaudited condensed accounts for the six-months ended 31st January 2004. The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses for the Group for the six-months ended 31st January 2004, and the consolidated balance sheet as at 31st January 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 14 to 34 of this report.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.0 cents per share (2003 interim: HK3.0 cents per share). The interim dividend will be payable on or before Friday, 28th May 2004 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 14th May 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 12th May 2004 to Friday, 14th May 2004 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 Tuesday, 11th May 2004. Dividend warrants will be dispatched to the shareholders on or before Friday, 28th May 2004.

MANAGEMENT DISCUSSION & ANALYSIS**Business Review and Outlook**

During the first half of 2004, BALtrans continued to focus on integrating Jardine Logistics with the Group's own operations. As a result, the Group succeeded in turning around Jardine Logistics' operations in Asia and the UK, whilst narrowing the operating losses in the US.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Business Review and Outlook *(Continued)*

The transfer of the BALtrans and Jardine Logistics' businesses onto a single platform was completed in the US, UK and South East Asia (except Thailand) by the end of the period under review. The combining of the management and sales and marketing functions in Hong Kong was completed, whilst the operation and finance functions are being integrated in tandem with the rolling out of a common IT platform. The Group is also planning to reorganise its operations in Mainland China and Thailand.

The first half of 2004 included trading results for Jardine Logistics, which had not been acquired in the corresponding period last year. As a result, during the six months ended 31st January 2004, the Group's turnover increased by 89% to HK\$1,605.1 million over the same period in 2003. The profit attributable to shareholders was HK\$23.3 million, down 59% due mainly to several non-recurrent factors:

- an exceptional gain of HK\$21.5 million that arose in the 6 months to 31st January 2003 on the disposal of the Group's holdings in associated companies, including Wilson Freight (Far East) Ltd.;
- the absence of a profit contribution from Wilson Freight (Far East) Ltd. which contributed HK\$5.0 million in the corresponding period last year;
- an additional goodwill amortisation of HK\$3.5 million as a result of the acquisition of Jardine Logistics; and
- the strike of the West Coast dock workers which led to higher margins for airfreight services during the 6 months to 31st January 2003.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)***Business Review and Outlook** *(Continued)*

Apart from the non-recurrent factors above, our results were also affected by continuing operating losses in the US. The US restructuring took longer than we expected, but the integration of the two businesses has now been completed and the Group is confident that there will be substantial improvement in its financial performance during the second half of 2004. The contribution from our exhibitions business also decreased due to the cyclical nature of a key exhibition event last year that takes place once every two years.

The profit margins of Supreme Group, one of the Group's key subsidiaries, was also adversely affected by airfreight capacity commitments and bad debts.

Over the next twelve months, the management will redirect its efforts from internal restructuring to expanding the Group's customer base, debtor collection and achieving further cost synergies post-integration. The Group also intends to reorganise its Mainland China operations to establish a single flagship entity for North China which would allow it to accelerate its expansion within this fast-growing market.

In addition, the Group continues to extend and diversify the Group's geographical reach, including agreeing to set up a joint venture in Germany with the Group's Swiss strategic partner in March 2004. BALtrans also entered into an agreement in March 2004 to establish a joint venture company in Shenzhen, China to provide container logistics services at Yantian Port, Shenzhen together with Shenzhen Yantian Port Group Co. Limited and Shing Kee Logistics (Shenzhen Yantian) Limited. This joint venture will help the Group to capture more of the fast growing third-party logistics and cargo consolidation business of the Pearl River Delta at Yantian Port.

This financial year is a year of consolidation for the Group. Despite the short-term challenges, we are optimistic that the restructuring and integration efforts will begin to bear fruit and benefit the Group in the coming year.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Markets

The Group's operations in Hong Kong and Mainland China remained the largest contributor to its overall business during the period, but the proportion of its contribution has fallen as the Group has established a broader geographical base.

The US operation has not been expanding its business as efforts have been concentrated on streamlining the operations and finance functions in the first twelve months post-acquisition. This also affected the Group's business in Asia. With the integration of US operation now complete, local management will return to growing its franchise and customer base.

During the period under review, the combined businesses in Hong Kong and Mainland China, South East Asia and Europe were turned around from substantial losses in the previous six months and operating losses in the US have been reduced. It is expected that the performance of the US operation will continue to improve in the near future and, together with the profitable operations in Canada, will be able to make a meaningful profit contribution to the Group in the coming year.

Services

Airfreight

Airfreight remained the Group's major revenue contributor, accounting for approximately 54% of the Group's total turnover for the half year compared to 76% during the same period last year. Turnover registered an increase of 36%, but profit margin decreased due to the absence of non-recurring events such as the West Coast port strike which led to higher margins for airfreight services last year as well as the profit margin decline at Supreme Group.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)***Services** *(Continued)***Seafreight**

The Group's seafreight revenue showed a significant increase of 343% after including the turnover contributed by Jardine Logistics.

During the second half of the previous financial year, the seafreight division of Jardine Logistics was the Group's biggest loss contributor by business segment. We have since turned around the seafreight operations of Jardine Logistics and the achieved operating profit of the enlarged business was 52% higher than that achieved by BALtrans in the corresponding period last year. We believe there is substantial scope to further improve cost efficiency in the seafreight business post-integration.

Third-party Logistics

The turnover of the Group's third-party logistics business was approximately 198% higher than that achieved during the same period last year. Given the low penetration rate for third-party logistics in the region and the increasing corporate awareness of the benefits of outsourcing, we see vast potential for growth especially in Mainland China. The Group views third-party logistics as a strategic platform to capture more logistics and freight-forwarding business through closer customer relationships and better understanding of customer needs.

Exhibition Forwarding and Household Removal

The turnover of the exhibition forwarding business registered a decrease of 34% due to cyclical nature of a key exhibition event last year which takes place every other year leading to substantial variances in results from year to year. The turnover of the household removal business was similar to that of last year.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)*

Liquidity, Financial Resources and Funding

As at 31st January 2004, the Group possessed cash and cash equivalents (net of bank overdraft) of HK\$103.0 million (31st July 2003: HK\$110.4 million). The majority of the Group's cash is in either HKD or USD, therefore exposure to exchange rate fluctuations is minimal. The gearing ratio (total borrowings/total shareholders' funds) as at 31st January 2004 was 31% (31st July 2003: 17%). However, the Group was in a net cash position of HK\$0.4 million (31st July 2003: HK\$41.9 million).

For the period ended 31st January 2004, total spending on fixed assets was higher than the same period last year. HK\$11.1 million (2003: HK\$2.2 million) was paid for the purchase of fixed assets. HK\$3.1 million (2003: nil) was received from the disposal of fixed assets.

The Group's funding requirements have been fulfilled mainly by internal resources with some short-term loan/overdraft facilities granted by banks.

The Group's borrowings were mainly in HKD, USD and NTD. Overdraft & short term loan facilities were granted to the Group at normal market interest rates.

As a matter of principle, the Group allows adequate working capital in overseas subsidiaries and transfers excess funds back to the head office. Some of its overseas subsidiaries may use overdraft facilities in foreign currencies. No hedging arrangement is considered necessary since receipts and payments are mainly in local currency.

During the period under review there was no significant deviation from the policies above.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)***Charges on Group Assets**

The 1st floor of Sunshine Kowloon Bay Cargo Centre and the 8th floor of New Mandarin Plaza, Tower A were charged to a bank in exchange for general banking facilities for the Group. The Group has placed fixed deposits totaling HK\$2.5 million (31st July 2003: HK\$ 2.5 million) as securities for banking facilities extended to the Group.

Core Investments and Acquisitions

The acquisition of SITC Sky Logistics (to be renamed BALtrans Logistics (China) Limited) based in Qingdao was completed after receiving approval from the PRC Ministry of Commerce in November 2003.

Contingent Liabilities

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

Staff and Employment

As at 31st January 2004, the Group employed a workforce of 1,432 (31st July 2003: 1,330), an increase over last year mainly due to the inclusion of newly acquired SITC Sky Logistics. Total staff remuneration for the half year ended 31st January 2004 was HK\$121.8 million including pension expenses of HK\$5.3 million (2003: HK\$61.4 million including pension expenses of HK\$2.8 million). No share options were granted to staff during the period.

MANAGEMENT DISCUSSION & ANALYSIS *(Continued)***Staff and Employment** *(Continued)*

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.

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

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 2004, the interests of the directors and the chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the “SFO”) or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as:

	Number of shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
LAU Siu Wing, Anthony (<i>Note 1</i>)	—	73,286,000	—	—	73,286,000
WAI Chung Hung, David	32,942,000	—	—	—	32,942,000
BIRD Hugh Purton, William (<i>Note 2</i>)	—	—	49,591,200	—	49,591,200
CLARKE John David, Christopher	78,000	—	—	—	78,000
YU Hon To, David	—	—	—	—	—
RILEY Peter James Holland	—	—	—	—	—

Notes:

- 73,286,000 shares are beneficially owned by Asian Rim Co. Ltd. (“Asian Rim”) 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 Anthony Siu Wing LAU is beneficiary.
- These shares are beneficially owned by Tropical Holding Investment Inc (“Tropical Holding”), which is wholly owned by Mr William Hugh Purton BIRD and his wife.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES *(Continued)*

Saved as disclosed herein, as at 31st January 2004, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st January 2004, the following persons (other than a director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Number of issued shares	Nature of interest	Percentage of shareholding
Asian Rim	73,286,000	Beneficial owner	24.31%
Jardine Asian Holdings Inc.	60,300,100 <i>(Note)</i>	Beneficial owner	20.00%
Jardine Pacific Holdings Ltd.	60,300,100 <i>(Note)</i>	Corporate	20.00%
JMH Investments Ltd.	60,300,100 <i>(Note)</i>	Corporate	20.00%
Jardine Matheson Holdings Ltd.	60,300,100 <i>(Note)</i>	Corporate	20.00%
Tropical Holding	49,591,200	Beneficial owner	16.45%

Note: These shares are beneficially owned by Jardine Asian Holdings Inc.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY *(Continued)*

Saved as disclosed herein, as at 31st January 2004, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person (except the directors and chief executive of the Company whose interests are disclosed in "Particulars of shares held by directors, chief executives and their associates" above) who had any interest or short position in shares or underlying shares of the Company.

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 at 31st January 2004 with the directors.

On behalf of the Board

Anthony Siu Wing LAU

Chairman and Chief Executive

Hong Kong, 23rd April 2004

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January 2004

		Unaudited Six months ended 31st January	
	Note	2004 HK\$'000	2003 HK\$'000
Turnover	2	1,605,058	848,221
Cost of services rendered		<u>(1,347,461)</u>	<u>(693,311)</u>
Gross profit		257,597	154,910
Other revenues		1,586	22,221
Administrative expenses		<u>(230,634)</u>	<u>(121,893)</u>
Operating profit	3	28,549	55,238
Finance costs		(1,273)	(510)
Share of profits less losses of Jointly controlled entities		1,656	482
Associated companies		<u>2,319</u>	<u>10,003</u>
Profit before taxation		31,251	65,213
Taxation	4	<u>(5,953)</u>	<u>(5,435)</u>
Profit after taxation		25,298	59,778
Minority interests		<u>(1,974)</u>	<u>(3,065)</u>
Profit attributable to shareholders		<u>23,324</u>	<u>56,713</u>
Dividends	5	<u>9,045</u>	<u>9,045</u>
Earnings per share			
Basic	6	<u>7.7 cents</u>	<u>23.5 cents</u>
Fully diluted	6	<u>N/A</u>	<u>23.5 cents</u>

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January 2004 and 31st July 2003

		Unaudited 31st January 2004 <i>HK\$'000</i>	Audited 31st July 2003 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Fixed assets	7	128,932	123,673
Goodwill	8	100,553	99,259
Interest in jointly controlled entities		14,212	15,244
Interest in associated companies		23,070	20,275
		<u>266,767</u>	<u>258,451</u>
Current assets			
Trade and other receivables	9	605,191	553,931
Tax recoverable		3,234	—
Pledged bank deposits		2,450	2,450
Cash and bank balances		149,295	126,204
		<u>760,170</u>	<u>682,585</u>
Current liabilities			
Trade and other payables	10	358,083	341,816
Current portion of long-term liabilities	13	8,624	8,458
Taxation payable		8,279	752
Short-term bank loan			
Secured		59,962	43,570
Unsecured		20,000	—
Bank overdrafts			
Secured		46,011	15,673
Unsecured		271	141
		<u>501,230</u>	<u>410,410</u>
Net current assets		<u>258,940</u>	<u>272,175</u>
Total assets less current liabilities		<u>525,707</u>	<u>530,626</u>

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 31st January 2004 and 31st July 2003

		Unaudited 31st January 2004 <i>HK\$'000</i>	Audited 31st July 2003 <i>HK\$'000</i>
	<i>Note</i>		
Financed by:			
Share capital	11	30,150	30,150
Other reserves	12	234,288	234,305
Retained profits			
Proposed dividend	12	9,045	30,150
Others	12	209,109	192,469
Shareholders' funds		482,592	487,074
Minority interests		16,468	15,088
Non-current liabilities			
Long-term liabilities	13	25,378	27,241
Pension liabilities		1,101	808
Deferred tax liabilities		168	415
		<u>525,707</u>	<u>530,626</u>

INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January 2004

	Unaudited	
	Six months ended	
	31st January	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from operating activities	2,865	6,632
Net cash (used in)/generated from investing activities	(7,842)	29,084
Net cash used in financing activities	(1,808)	(2,836)
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(6,785)	32,880
Cash and cash equivalents at 1st August	110,390	110,370
Effect of foreign exchange rate changes	(592)	(166)
	<hr/>	<hr/>
Cash and cash equivalents at 31st January	<u>103,013</u>	<u>143,084</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	149,295	192,667
Bank overdrafts	(46,282)	(49,583)
	<hr/>	<hr/>
	<u>103,013</u>	<u>143,084</u>

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January 2004

		Unaudited Six months ended 31st January	
	Note	2004 HK\$'000	2003 HK\$'000
Total equity at the beginning of the period		487,074	335,750
Profit guarantee received in relation to goodwill previously written off against retained profits	12	1,961	—
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associated companies and jointly controlled entities	12	(17)	(148)
Net gains/(losses) not recognised in the profit and loss account		1,944	(148)
Profit for the period	12	23,324	56,713
Dividends	12	(30,150)	(24,120)
Issue of shares		—	6,030
Premium on issue of shares	12	—	150,750
Goodwill realised upon liquidation of a subsidiary	12	—	(38)
Goodwill realised upon disposal of a subsidiary	12	400	—
Goodwill realised upon disposal of associated companies	12	—	2,847
		(6,426)	192,182
Total equity at the end of the period		482,592	527,784

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 2003 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 2003 except for adopting SSAP 12 — “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting this new policy are set out below:

(a) *Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 has no material effect on the comparatives presented in the report.

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 2004 and 2003 by geographical segments is as follows:

	Six months ended 31st January 2004					
	Hong Kong and Mainland China HK\$'000	North America HK\$'000	Southeast Asia HK\$'000	Europe HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
External	774,031	309,992	365,501	155,534	—	1,605,058
Inter-segment	107,171	45,904	38,579	4,876	(196,530)	—
Total	881,202	355,896	404,080	160,410	(196,530)	1,605,058
Segment results	19,529	1,810	5,878	1,332		28,549
Finance costs	(465)	(300)	(378)	(130)		(1,273)
Share of profits less losses of Jointly controlled entities	1,656	—	—	—		1,656
Associated companies	2,899	(111)	(469)	—		2,319
Profit before taxation						31,251
Taxation						(5,953)
Minority interests						(1,974)
Profit attributable to shareholders						23,324

2 Turnover and segment information (Continued)

	Six months ended 31st January 2003					
	Hong Kong and Mainland China HK\$'000	North America HK\$'000	Southeast Asia HK\$'000	Europe HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
External	489,094	270,788	88,339	—	—	848,221
Inter-segment	124,793	27,500	27,617	—	(179,910)	—
Total	<u>613,887</u>	<u>298,288</u>	<u>115,956</u>	<u>—</u>	<u>(179,910)</u>	<u>848,221</u>
Segment results	<u>31,643</u>	<u>1,839</u>	<u>263</u>	<u>—</u>		33,745
Net gain on disposal of associated companies						<u>21,493</u>
Operating profit						55,238
Finance costs	(353)	—	(157)	—		(510)
Share of profits less losses of						
Jointly controlled entities	482	—	—	—		482
Associated companies	8,983	(2)	1,022	—		<u>10,003</u>
Profit before taxation						65,213
Taxation						(5,435)
Minority interests						<u>(3,065)</u>
Profit attributable to shareholders						<u>56,713</u>

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 2004 and 2003 by business segments is as follows:

	Six months ended 31st January			
	Turnover		Segment results	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Air freight	869,104	640,042	19,390	22,818
Sea freight	648,662	146,576	8,473	5,577
Exhibition forwarding and household removal services	38,691	45,298	1,932	4,923
Third-party logistics	48,601	16,305	(1,246)	427
	<u>1,605,058</u>	<u>848,221</u>	<u>28,549</u>	<u>33,745</u>
Net gain on disposal of associated companies			—	21,493
Operating profit			<u>28,549</u>	<u>55,238</u>

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 31st January	
	2004 HK\$'000	2003 HK\$'000
Crediting		
Gain on disposal of fixed assets	315	—
Net gain on disposal of associated companies	—	21,493
	<u>315</u>	<u>21,493</u>
Charging		
Amortisation of goodwill	5,443	1,967
Depreciation of owned fixed assets	7,750	3,825
Depreciation of leased fixed assets	403	190
Loss on disposals of fixed assets	—	112
Loss on disposals of a subsidiary	28	—
	<u>13,624</u>	<u>6,094</u>

4 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended	
	31st January	
	2004	2003
	HK\$'000	HK\$'000
Current taxation:		
— Hong Kong profits tax	747	1,792
— Overseas taxation	4,134	2,032
— Over provisions in prior years	(9)	—
Deferred taxation relating to the origination and reversal of temporary differences	(214)	—
	<u>4,658</u>	<u>3,824</u>
Share of taxation attributable to:		
Jointly controlled entities	932	109
Associated companies	363	1,502
	<u>5,953</u>	<u>5,435</u>
Taxation charge	<u>5,953</u>	<u>5,435</u>

5 Dividends

	Six months ended	
	31st January	
	2004	2003
	HK\$'000	HK\$'000
2003 final, paid, of HK 10.0 cents (2002: HK 10.0 cents) per share	30,150	24,120
2004 interim, proposed on 23rd April 2004, of HK3.0 cents (2003: HK 3.0 cents) per share (Note)	9,045	9,045
	<u>39,195</u>	<u>33,165</u>

5 Dividends (Continued)

Note: At a meeting held on 23rd April 2004, 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 2004.

6 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$23,324,000 (2003: HK\$56,713,000).

The basic earnings per share is calculated based on the weighted average of 301,500,500 (2003: 241,528,118) ordinary shares in issue during the period. There are no potential dilutive shares in existence for the period ended 31st January 2004 and therefore, no diluted earnings per share was presented.

7 Fixed assets

	Investment properties in Hong Kong HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Computer system HK\$'000	Total HK\$'000
Opening net book amount	4,070	89,054	7,785	9,664	2,900	10,200	123,673
Acquisition of a subsidiary (note 14)	—	1,005	335	1,178	1,795	165	4,478
Additions	—	—	6,190	2,452	792	1,676	11,110
Disposal of a subsidiary	—	—	(67)	(15)	—	—	(82)
Disposals	—	—	(1,590)	(532)	(66)	(574)	(2,762)
Depreciation charge for the period	—	(1,106)	(1,567)	(1,587)	(769)	(3,124)	(8,153)
Transfer	—	—	—	(120)	—	120	—
Exchange adjustments	—	—	92	202	63	311	668
Closing net book amount	<u>4,070</u>	<u>88,953</u>	<u>11,178</u>	<u>11,242</u>	<u>4,715</u>	<u>8,774</u>	<u>128,932</u>

8 Goodwill

	31st January 2004 <i>HK\$'000</i>	31st July 2003 <i>HK\$'000</i>
Opening net book amount	99,259	33,161
Exchange adjustment	—	(13)
Acquisition of subsidiaries	7,387	75,154
Acquisition of business	—	1,322
Adjustment of goodwill (<i>note 15d</i>)	(650)	(356)
Amortisation charge (<i>note 3</i>)	(5,443)	(7,150)
Impairment charge	—	(2,859)
	<u>100,553</u>	<u>99,259</u>

9 Trade and other receivables

	31st January 2004 <i>HK\$'000</i>	31st July 2003 <i>HK\$'000</i>
Due from:		
A jointly controlled entity	14,354	7,253
Associated companies	7,924	5,831
Related companies	1,580	11,878
Trade receivables	<u>451,191</u>	<u>417,877</u>
	475,049	442,839
Deposits and prepayments	<u>130,142</u>	<u>111,092</u>
	<u>605,191</u>	<u>553,931</u>

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

9 Trade and other receivables *(Continued)*

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

	31st January 2004 HK\$'000	31st July 2003 HK\$'000
30 days or below	189,949	214,615
31 — 60 days	127,979	91,479
61 — 90 days	60,137	77,122
Over 90 days	96,984	59,623
	<u>475,049</u>	<u>442,839</u>

10 Trade and other payables

	31st January 2004 HK\$'000	31st July 2003 HK\$'000
Due to:		
Jointly controlled entities	4,094	3,594
Associated companies	—	6
Trade payables	139,316	186,851
	143,410	190,451
Accrued charges and other payables	214,673	151,365
	<u>358,083</u>	<u>341,816</u>

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

	31st January 2004 HK\$'000	31st July 2003 HK\$'000
30 days or below	91,665	121,235
31 — 60 days	19,455	24,800
61 — 90 days	1,235	9,988
Over 90 days	31,055	34,428
	<u>143,410</u>	<u>190,451</u>

11 Share capital

	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each At 31st January 2004 and 2003	<u>500,000,000</u>	<u>50,000</u>	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each At 1st August 2003 and 2002	301,500,500	30,150	241,200,400	24,120
Issue of new shares	<u>—</u>	<u>—</u>	<u>60,300,100</u>	<u>6,030</u>
As 31st January 2004 and 2003	<u>301,500,500</u>	<u>30,150</u>	<u>301,500,500</u>	<u>30,150</u>

No share options were granted and exercised during the period.

12 Reserves

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2003	235,650	(1,345)	222,619	456,924
Exchange differences	—	(17)	—	(17)
Profit guarantee received in relation to goodwill previously written off against retained profits (note 15b)	—	—	1,961	1,961
Goodwill realised upon disposal of a subsidiary	—	—	400	400
Profit for the period	—	—	23,324	23,324
2003 final dividend paid	—	—	(30,150)	(30,150)
	<u>235,650</u>	<u>(1,362)</u>	<u>218,154</u>	<u>452,442</u>
At 31st January 2004				
Representing:				
2004 proposed interim dividend			9,045	
Others			<u>209,109</u>	
			<u>218,154</u>	
Retained by:				
Company and subsidiaries	235,650	(1,204)	208,989	443,435
Jointly controlled entities	—	(9)	(2,668)	(2,677)
Associated companies	—	(149)	11,833	11,684
	<u>235,650</u>	<u>(1,362)</u>	<u>218,154</u>	<u>452,442</u>

12 Reserves (Continued)

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2002	84,900	(808)	227,538	311,630
Issue of new shares	150,750	—	—	150,750
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)
	<u>235,650</u>	<u>(956)</u>	<u>262,940</u>	<u>497,634</u>
Representing:				
2003 proposed interim dividend			9,045	
Others			253,895	
			<u>262,940</u>	
Retained by:				
Company and subsidiaries	235,650	(622)	253,445	488,473
Jointly controlled entities	—	—	(2,632)	(2,632)
Associated companies	—	(334)	12,127	11,793
	<u>235,650</u>	<u>(956)</u>	<u>262,940</u>	<u>497,634</u>

13 Long-term liabilities

	31st January 2004 <i>HK\$'000</i>	31st July 2003 <i>HK\$'000</i>
Deferred consideration payable (<i>note 15c</i>)	11,385	10,780
Amounts due to minority shareholders (<i>note a</i>)	1,957	1,912
Secured bank loan not wholly repayable within five years (<i>note b</i>)	19,342	21,340
Obligations under finance leases (<i>note c</i>)	<u>1,318</u>	<u>1,667</u>
	34,002	35,699
Current portion of long-term liabilities	<u>(8,624)</u>	<u>(8,458)</u>
	<u><u>25,378</u></u>	<u><u>27,241</u></u>

- (a) The amounts due to minority shareholders are unsecured, interest-free and not repayable within the next twelve months.
- (b) At 31st January 2004, the Group's bank loan was payable as follows:

	31st January 2004 <i>HK\$'000</i>	31st July 2003 <i>HK\$'000</i>
Within one year	3,996	3,996
In the second year	3,996	3,996
In the third to fifth year	11,350	11,988
After the fifth year	<u>—</u>	<u>1,360</u>
	<u><u>19,342</u></u>	<u><u>21,340</u></u>

13 Long-term liabilities *(Continued)*

(c) Minimum lease payments for finance leases:

	31st January 2004 HK\$'000	31st July 2003 HK\$'000
Within one year	940	981
In the second year	378	672
In the third to fifth year	134	182
After the fifth year	24	38
	<hr/> 1,476	<hr/> 1,873
Future finance charges	(158)	(206)
	<hr/> 1,318	<hr/> 1,667
Representing:		
Within one year	833	868
In the second year	339	597
In the third to fifth year	122	165
After the fifth year	24	37
	<hr/> 1,318	<hr/> 1,667

14 Acquisition

On 28th November 2003, the Group acquired 66% of SITC-SKY Logistics Ltd. (to be renamed as BALtrans Logistics (China) Ltd.) which engages in the freight forwarding business in Mainland China at a consideration of HK\$15,228,000.

15 Contingent liabilities

(a) At 31st January 2004, the Group has provided guarantees to banks in respect of banking facilities granted to an associated company and a jointly controlled entity amounting to HK\$26.3 million (31st July 2003: HK\$26.3 million) of which HK\$ 22.7 million (31st July 2003: HK\$21.4 million) has been utilised.

At 31st January 2004, the Group has provided guarantees to an airline company for credit facilities of a third party amounting to HK\$1.0 million (31st July 2003: HK\$1.0 million) which was fully utilised.

15 Contingent liabilities *(Continued)*

- (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. The shortfall receivable by the Group during the period was HK\$1,961,000, which was credited to reserves to net off against goodwill taken directly to reserves in the year of acquisition (note 12).

- (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 acquisition. The remaining consideration of C\$2,576,000 (note 13) is payable by four equal annual installments 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\$1,280,000 but provided that in no event shall the aggregate amount of all payments under this profit guarantee arrangement exceed C\$5,152,000.

15 Contingent liabilities (Continued)

- (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 period from 1st August 2002 to 31st July 2005 but provided that in no event shall the adjustment exceeds HK\$9,999,999. The shortfall receivable by the Group during the period was HK\$650,000, which was applied to reduce the goodwill arising from the acquisition (note 8).

16 Capital commitments

	31st January 2004 HK\$'000	31st July 2003 HK\$'000
Contracted but not provided for	<u>1,629</u>	<u>4,737</u>

The Group has entered into agreements for upgrading the operation and accounting systems. Pursuant to the agreements, the Group is committed to pay a total of HK\$1,629,000 in the coming years.

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 2004 HK\$'000	31st July 2003 HK\$'000
Not later than one year	32,032	36,199
Later than one year and not later than five years	46,903	44,880
Later than five years	<u>18,437</u>	<u>15,880</u>
	<u>97,372</u>	<u>96,959</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	
	2004	2003
	HK\$'000	HK\$'000
Jointly controlled entities		
Forwarding income received	24,308	2,391
Forwarding costs paid	26,226	6,910
Associated companies		
Forwarding income received	11,521	33,202
Forwarding costs paid	4,978	4,982
Management fee received	—	81
Warehousing income received	—	2,707
Related companies		
Forwarding income received	26,019	13,791
Forwarding costs paid	1,035	2,446

These transactions were conducted at terms similar to those applicable to transactions with unrelated parties.

On behalf of the Board

Anthony Siu Wing LAU

Chairman

Hong Kong, 23rd April 2004