



Symbol of Quality Logistics Services

# BALtrans Holdings Limited

*(Incorporated in Bermuda with limited liability)*



INTERIM REPORT | 2005

### Highlights

- Achieved record half-year turnover and strong profit growth
- Margin improvement through economies of scale and rigorous cost management
- US turned around to profitability
- Successfully reaped synergies for Jardine Logistics and ready to accelerate international expansion

The directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 31st January 2005. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 31st January 2005, and the consolidated balance sheet of the Group as at 31st January 2005, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 15 to 42 of this report.

### Interim Dividends

The directors have resolved to declare an interim dividend of HK3.3 cents per share (2004 interim dividends: HK3.0 cents per share). The interim dividend will be payable on or before Tuesday, 31st May 2005 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 12th May 2005.

### Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 10th May 2005 to Thursday, 12th May 2005 both days inclusive, during which period, no transfer of shares will be effected. In order to qualify for the above interim dividend, all transfer documents accompanying the relevant share certificates must be lodged with the Company's registrar 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 pm on Monday, 9th May 2005. Dividend warrants will be dispatched to the shareholders on or before Tuesday, 31st May 2005.

## Management Discussion & Analysis

### Summary Financial Highlights

(HK\$ million)

	2005 (1st half)	2004 (1st half)	% growth
Turnover	1,842.0	1,605.1	15%
Gross profit	314.1	257.6	22%
EBITA	66.6	38.0	75%
Net profit	48.8	23.3	109%
Gross margin	17.1%	16.0%	
Net margin	2.6%	1.5%	

### Business Review

During the period under review, the Group achieved a record half-year turnover of HK\$1.84 billion, approximately 15% higher than the previous period. With the challenges of integrating Jardine Logistics largely behind us, the management has pushed ahead with marketing initiatives to expand our turnover riding on the continuing trade growth between Asia, especially China/Hong Kong, and the rest of the world.

Gross margin has continued to improve on the back of increased scale and bargaining power. We achieved a gross margin of over 17% for the first half of this year compared to 16% in the previous period. As a result, our gross profit grew by approximately 22% to HK\$314.1 million. The synergies of the integrated platform have begun to materialise through improving operating leverage and better utilisation of Group resources. For the first half, we achieved EBITA of HK\$66.6 million and net profit of HK\$48.8 million, a substantial increase of 75% and 109% respectively, driven by strong top line growth, operating margin improvement and the turnaround of our US operations. Our German associate has narrowed its operating losses substantially during the first half and had achieved turnaround towards the end of the period.

## Management Discussion & Analysis *(Continued)*

### Business Review *(Continued)*

#### 1 *Markets*

The Group's Greater China operation was the largest contributor to turnover during the first half at 63.2%. This represents an increase of 18% from the previous period due to strong growth in export volume to the developed markets. Operating profit increased by 113% over the previous period to HK\$48.2 million.

South East Asia contributed 8.4% of Group turnover and registered a slight decrease of 1%, with turnover growth in regional offices offset by turnover decline in Malaysia. The operating profit for the region, however, increased by 25% to HK\$3.5 million due to profit improvement in Singapore, Indonesia and Sri Lanka. We have effected management changes in Malaysia after the period end in order to improve its future performance.

US and Canada contributed 20.5% of Group turnover during the period. The turnover increased by 22% due to strong flows from Asia into North America. The operating profit of HK\$11.7 million was 548% higher than the same period last year, mainly due to the turnaround of our US operation and continuing strong performance in Canada.

The European market made up 7.9% of the Group turnover during the period. The turnover decreased by 6% compared to the previous period due to the loss of certain customers. Operating profit declined from HK\$1.3 million last period to HK\$0.9 million this period, with the effect of revenue decline mostly offset by stringent cost control.

## Management Discussion & Analysis (Continued)

### Business Review (Continued)

#### 1 *Markets (Continued)*

Overall, the Greater China region has continued to be the growth engine and the key contributor to the Group. Our PRC operation will be streamlined in the second half to minimise network and resource duplication in order to reap operational synergies. We are also building up a new sales team in the PRC to focus on inbound cargo business, which is becoming more important as the PRC becomes wealthier. With a new management team in place in Malaysia, we believe its turnover and profitability could be improved. Whilst the US overall has been returned to profitability, certain individual stations within the US continue to perform below par. The management is currently taking concrete steps to turn around some of the US stations that are still incurring loss or marginally profitable which should further improve the profit contribution from North America next year.

#### 2 *Services*

##### *Airfreight*

##### *Sales turnover in HK\$ million*

	North America	Europe	Greater China	South East Asia	Total
2005 (1st half)	255	51	714	81	1,101
2004 (1st half)	160	41	583	85	869
% growth	59%	24%	22%	(5%)	27%

Airfreight turnover increased by 27% to approximately HK\$1.10 billion, making up 60% of the Group's total turnover. The increase was mainly driven by the strong growth in Greater China sales to the European market due to continuing appreciation of the Euro, new business through our German associate and strong US performance. All key markets demonstrated strong airfreight turnover growth except for South East Asia, which was affected by the turnover decline in Malaysia.

**Management Discussion & Analysis (Continued)****Business Review (Continued)****2 Services (Continued)***Airfreight (Continued)*

The airfreight gross margin has also improved from the second half of last year. As a result of healthy turnover growth and margin improvement, the operating profit of airfreight business overall increased by 110% to HK\$40.6 million.

*Seafreight**Sales turnover in HK\$ million*

	North America	Europe	Greater China	South East Asia	Total
2005 (1st half)	120	94	358	57	629
2004 (1st half)	139	114	342	54	649
% growth	(14%)	(18%)	5%	6%	(3%)

Seafreight turnover decreased slightly by 3% to HK\$629.3 million, making up 34% of the Group's total turnover. The decrease was due to loss of certain customers in the US and UK and the continuing realignment of the customer base to improve its quality and profitability. The customer base realignment has resulted in an increased gross profit contribution from our seafreight business and consequently our operating profit increased by 91% to HK\$16.2 million.

*Third Party Logistics*

The turnover from third party logistics ("3PL") was maintained at approximately HK\$47.9 million, around the same level as previous period. Due to our efforts in streamlining the customer base with a view to profitability, we have managed to achieve breakeven at operating level, compared to an operating loss of HK\$1.2 million in the previous period. We have made certain management changes at our 3PL operations after the first half and we believe the 3PL operational performance will continue to improve going forward.

## Management Discussion & Analysis (Continued)

### Business Review (Continued)

#### 2 Services (Continued)

##### *Exhibition Forwarding and Household Removal*

The turnover from exhibition forwarding and household removal grew by 65% to HK\$63.8 million mainly due to our strong performance in exhibition forwarding business in China, as well as the contribution from newly acquired Exhibitstrans Logistics Limited. As a result of strong turnover increase and economies of scale, the operating profit from exhibition and removal increased by 292% to HK\$7.6 million.

### Outlook

Looking forward, we believe that we will continue to grow our turnover and improve our operating margin through economies of scale and improved operational performance in Group entities that are still operating below their market potential.

Subsequent to the period under review in March 2005, we entered into an agreement for the disposal of our total shareholding in Fond Express Logistics Limited and Fondair Express (HK) Limited, which contributed approximately HK\$5.3 million in net profit during the first half. However, we believe that the short term impact of the absence of such profit contribution going forward will be compensated by the growth of our own network and operations.

Increasing globalisation and outsourcing trends have continued to drive international trade growth. As a key logistics player in the heart of Asia, with broad international network, we are very well-positioned to benefit from this growth. After having successfully turned around and reaped synergies from the acquisition of Jardine Logistics, we are now ready to accelerate our international expansion further by strengthening our market presence in key markets and enter into new markets outside Asia through acquisition and the recruitment of international talents.

## Management Discussion & Analysis *(Continued)*

### Liquidity, Financial Resources and Funding

As at 31st January 2005, the Group possessed cash and cash equivalents of HK\$106.3 million (2004: HK\$103.0 million). The majority of the Group's cash was in either HKD or USD, therefore, exposure to exchange rate fluctuations was minimal. The gearing ratio (total borrowings/total shareholders' funds) for the period was 26.4% (2004: 30.9%). However, the Group was in a net cash position of HK\$22.9 million (2004: HK\$0.4 million).

For the half year ended 31st January 2005, total spending on fixed assets was higher than the same period last year. HK\$16.4 million (2004: HK\$11.1 million) was paid for the purchase of fixed assets. HK\$1.7 million (2004: HK\$3.1 million) was received for 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 TWD. Overdraft and 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 our overseas subsidiaries may use overdraft facilities in foreign currencies. No hedging arrangement is considered necessary since we receive and pay mainly in local currency.

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

### Charges on Group Assets

The whole first floor of Sunshine Kowloon Bay Cargo Centre and the whole 8th floor of New Mandarin Plaza, Tower A have been charged to a bank in exchange for general banking facilities for the Group. The Group has placed fixed deposits totalling HK\$8.7 million (2004: HK\$2.5 million) as security for banking facilities extended to the Group.



## Management Discussion & Analysis *(Continued)*

### Core Investments and Acquisitions

There was no material acquisition or disposal of subsidiaries during the period.

### 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 2005, the Group employed a workforce of 1,497 (2004: 1,432). Total staff remuneration for the half year ended 31st January 2005 was HK\$138.1 million including retirement benefit expenses of HK\$6.0 million (2004: HK\$121.8 million including retirement benefit expenses of HK\$5.3 million).

The Group's remuneration policies, including both salaries and bonuses, are in line with the practices in the territories 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 Option Scheme

On 28th December 2001, the Company has adopted a new share option scheme (the "2001 Share Option Scheme"), pursuant to which the Company may grant options without initial payment to (i) any director, employee or consultant of any member 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 any member 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 2001 Share Option Scheme will be the highest of (i) the nominal value of the shares; (ii) the closing price per share as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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; or (where applicable) of such price as from time to time adjusted pursuant to the 2001 Share Option Scheme. The maximum number of shares in respect of which options may be granted under the 2001 Share Option Scheme shall not exceed 10% of the share capital of the Company as at the date of the adoption of the scheme.

### Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31st January 2005, the interests and short position of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company were and the Stock Exchange pursuant to the Model Code for Securities Transactions by the directors of Listed Companies as follows:

#### (a) Long positions in shares of the Company

Name of directors	Nature of interest	Number of ordinary shares of the Company beneficially held	Approximate percentage of long positions in shares to the issued share capital of the Company as at 31st January 2005
Mr. Anthony Siu Wing LAU (note 1)	Trust interest	73,286,000	24.31%
Mr. William Hugh Purton BIRD (note 2)	Corporate interest	49,591,200	16.45%
Mr. David Chung Hung WAI	Personal interest	32,942,000	10.93%
Mr. Christopher John David CLARKE	Personal interest	78,000	0.03%

#### Notes:

- 73,286,000 shares were beneficially owned by Asian Rim Company Limited, whose shares are owned by the brother and brother-in-law of Mr. Anthony Siu Wing LAU as the trustees of a discretionary trust which is set up for the benefit of Mr. Anthony Siu Wing LAU's family members.
- These shares were beneficially owned by Tropical Holding Investment Inc. which is wholly owned by Mr. William Hugh Purton BIRD and his wife.

## Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (*Continued*)

### (b) Long positions in underlying shares of the Company – share options

Name of directors	Date of grant	Exercise price per share	Options held as at 1st August 2004	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed during the period	Options held at 31st January 2005	Approximate
								percentage of long positions in shares to the issued share capital of the Company as at 31st January 2005
Mr. Anthony Siu Wing LAU	4th May 2004	HK\$2.045	2,000,000	—	—	—	2,000,000	0.66%
Mr. David Chung Hung WAI	4th May 2004	HK\$2.045	2,000,000	—	—	—	2,000,000	0.66%
Mr., Hooi Chong NG <i>(note)</i>	4th May 2004	HK\$2.045	1,200,000	—	—	—	1,200,000	0.40%
			5,200,000	—	—	—	5,200,000	1.72%

*Note:* Mr. Hooi Chong NG was appointed as executive director on 11th January 2005.

Save as disclosed above and other than certain non-beneficial ordinary shares of the subsidiaries held in bare trust for the Group by Mr. Anthony Siu Wing LAU and Mr. William Hugh Purton BIRD, as at 31st January 2005, 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.

Apart from the 2001 Share Option Scheme disclosed above, at no time during the period had any of the Company or its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate.

## Substantial shareholders' interests in the shares and underlying shares of the Company

As at 31st January 2005, the following persons (other than a director or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept long positions in shares under section 336 of the SFO:

### Long positions in shares

Name	Number of shares	Nature of interest	Approximate percentage of long positions in shares to the issued share capital of the Company as at 31st January 2005
Asian Rim Company Limited ( <i>note 1</i> )	73,286,000	Beneficial interest	24.31%
Jardine Asian Holdings Inc. ( <i>note 2</i> )	60,300,100	Beneficial interest	20.00%
Jardine Pacific Holdings Limited ( <i>note 2</i> )	60,300,100	Corporate interest	20.00%
JMH Investments Limited ( <i>note 2</i> )	60,300,100	Corporate interest	20.00%
Jardine Matheson Holdings Limited ( <i>note 2</i> )	60,300,100	Corporate interest	20.00%
Tropical Holding Investment Inc. ( <i>note 3</i> )	49,591,200	Beneficial interest	16.45%

#### Notes:

- 1 Mr. Anthony Siu Wing LAU is a director of Asian Rim Company Limited.
- 2 Mr. Peter James Holland RILEY is a director of various companies within the Jardine Matheson Group.
- 3 Mr. William Hugh Purton BIRD is a director of Tropical Holding Investment Inc.

### **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 (the "Listing Rules"), which was in force prior to 1st January 2005 and remains applicable for the financial period commencing before 1st January 2005, 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 reconsidered when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

### **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors (the "Code"). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Code for the period under review.

### **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 2005 with the directors.

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the financial period, the amount of public float as required under the Listing Rules.

On behalf of the Board

**Anthony Siu Wing LAU**

*Chairman and Chief Executive*

Hong Kong, 25th April 2005

**Condensed Consolidated Profit and Loss Account***For the six months ended 31st January 2005*

	Note	Unaudited Six months ended 31st January	
		2005 HK\$'000	2004 HK\$'000
Turnover	2	1,841,959	1,605,058
Cost of services rendered		(1,527,851)	(1,347,461)
Gross profit		314,108	257,597
Other revenues		2,037	1,586
Administrative and other operating expenses (net)		(251,762)	(230,634)
Operating profit	3	64,383	28,549
Finance costs		(1,263)	(1,273)
Share of profits less losses of Jointly controlled entities		(2,577)	1,656
Associated companies		4,839	2,319
Profit before taxation		65,382	31,251
Taxation	4	(11,055)	(5,953)
Profit after taxation		54,327	25,298
Minority interests		(5,519)	(1,974)
Profit attributable to shareholders		48,808	23,324
Dividends	5		
2004/2003 Final, paid		30,150	30,150
2005/2004 Interim, proposed		9,950	9,045
		40,100	39,195
Basic earnings per share	6	HK16.2 cents	HK7.7 cents
Diluted earnings per share	6	HK16.1 cents	N/A



**Condensed Consolidated Balance Sheet***As at 31st January 2005*

		Unaudited At 31st January 2005 <i>HK\$'000</i>	At 31st July 2004 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Fixed assets	7	167,282	160,557
Goodwill	8	93,930	93,810
Jointly controlled entities		3,982	13,088
Associated companies		32,608	26,613
Deferred tax assets		8,831	9,089
		<b>306,633</b>	<b>303,157</b>
<b>Current assets</b>			
Trade and other receivables	9	684,183	618,476
Tax recoverable		3,295	2,164
Pledged bank deposits		8,661	1,246
Bank balances and cash		164,649	154,826
		<b>860,788</b>	<b>776,712</b>
<b>Current liabilities</b>			
Trade and other payables	10	421,820	420,871
Short-term bank loans — secured		67,990	50,160
Bank overdrafts			
Secured		57,599	15,980
Unsecured		777	25
Current portion of long-term liabilities	13	12,457	8,410
Tax payable		17,984	13,744
		<b>578,627</b>	<b>509,190</b>
<b>Net current assets</b>		<b>282,161</b>	<b>267,522</b>
<b>Total assets less current liabilities</b>		<b>588,794</b>	<b>570,679</b>

**Condensed Consolidated Balance Sheet (Continued)***As at 31st January 2005*

		Unaudited At 31st January 2005 HK\$'000	At 31st July 2004 HK\$'000
Financed by:			
Share capital	11	30,150	30,150
Reserves	12		
Retained profits		244,405	206,450
Proposed dividend		9,950	30,150
Other reserves		260,413	258,072
Shareholders' funds		544,918	524,822
Minority interests		22,702	19,105
Non-current liabilities			
Long-term liabilities	13	13,202	19,335
Retirement benefit obligations		1,903	1,378
Deferred tax liabilities		6,069	6,039
		21,174	26,752
		588,794	570,679

**Condensed Consolidated Cash Flow Statement***For the six months ended 31st January 2005*

	Unaudited	
	Six months ended	
	31st January	
	2005	2004
	HK\$'000	HK\$'000
Net cash from operating activities	8,801	2,865
Net cash used in investing activities	(21,115)	(7,842)
Net cash used in financing activities	(21,152)	(1,808)
Effect of changes in exchange rates	918	(592)
Decrease in cash and cash equivalents	(32,548)	(7,377)
Cash and cash equivalents at the beginning of the period	138,821	110,390
Cash and cash equivalents at the end of the period	106,273	103,013
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	164,649	149,295
Bank overdrafts	(58,376)	(46,282)
	106,273	103,013

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st January 2005

		Unaudited Six months ended 31st January	
	Note	2005 HK\$'000	2004 HK\$'000
Total equity at the beginning of the period		524,822	487,074
Profit guarantee received in relation to goodwill previously taken to retained profits		—	1,961
Exchange differences arising on translation of the accounts of subsidiaries, jointly controlled entities and associated companies	12	1,438	(17)
Net gains not recognised in the consolidated profit and loss account		1,438	1,944
Profit for the period	12	48,808	23,324
Dividends	12	(30,150)	(30,150)
Goodwill realised upon disposal and liquidation of subsidiaries and associated companies		—	400
		18,658	(6,426)
Total equity at the end of the period		544,918	482,592

## Notes to the Interim Accounts

### 1 Basis of preparation and accounting policies

These unaudited condensed interim consolidated accounts (the “Interim Accounts”) are prepared in accordance with the Statement of Standard Accounting Practice 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st July 2004, except that the Group early adopted the new accounting standards below with effect from 1st August 2004:

- Hong Kong Financial Reporting Standard 3 (issued 2004) (“HKFRS 3”) “Business Combination”
- Hong Kong Accounting Standard 36 (revised 2004) (“HKAS 36”) “Impairment of Assets”
- Hong Kong Accounting Standard 38 (revised 2004) (“HKAS 38”) “Intangible Assets”

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

The adoption of these standards resulted in changes to the Group's accounting policies in impairment of assets and goodwill. The revised accounting policies are:

- (a) Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.
  
- (b) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/jointly controlled entities/associated companies at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities/associated companies is included in investments in jointly controlled entities/associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

The key impacts to the Group are as follows:

- The Group ceased amortisation of goodwill from 1st August 2004 (amortisation charge for the 6 months ended 31st January 2004 was HK\$5,443,000) ;
- Accumulated amortisation as at 1st August 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- Goodwill is tested annually for impairment, as well as when there are indications of impairment; and
- For goodwill which arose before 1st August 2001 and which has been taken into reserves, no profit and loss will be recognised when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively.

Other than the above, the Group has not early adopted the other new and revised Hong Kong accounting standards in the Interim Accounts. The Group has already commenced an assessment of the impact of these new or revised Hong Kong accounting standards but is not yet in a position to state whether these new or revised Hong Kong accounting standards would have a significant impact on its results of operations and financial position.

## 2 Turnover and segment information

The Group is principally engaged in the provision of air and sea freight forwarding services, exhibition forwarding and household removal services, third party logistics representing trucking and warehousing services.

### (a) Primary reporting format – geographical segments

	Six months ended 31st January 2005					Group HK\$'000
	Greater China # HK\$'000	North America HK\$'000	Southeast Asia HK\$'000	Europe HK\$'000	Elimination HK\$'000	
Turnover						
External	1,164,242	377,755	154,460	145,502	–	1,841,959
Inter-segment	220,157	51,027	11,625	28,881	(311,690)	–
<b>Total</b>	<b>1,384,399</b>	<b>428,782</b>	<b>166,085</b>	<b>174,383</b>	<b>(311,690)</b>	<b>1,841,959</b>
<b>Segment results</b>	<b>48,208</b>	<b>11,728</b>	<b>3,518</b>	<b>929</b>		<b>64,383</b>
Finance costs	(958)	(170)	(68)	(67)		(1,263)
Share of profits less losses of						
Jointly controlled entities	(2,577)	–	–	–		(2,577)
Associated companies	4,208	(1)	792	(160)		4,839
Profit before taxation						65,382
Taxation						(11,055)
Profit after taxation						54,327
Minority interests						(5,519)
Profit attributable to shareholders						<b>48,808</b>



**2 Turnover and segment information (Continued)****(a) Primary reporting format – geographical segments  
(Continued)**

	Six months ended 31st January 2004					
	Greater China <sup>#</sup> HK\$'000	North America HK\$'000	Southeast Asia HK\$'000	Europe HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
External	983,411	309,992	156,121	155,534	—	1,605,058
Inter-segment	132,084	45,904	13,666	4,876	(196,530)	—
<b>Total</b>	<b>1,115,495</b>	<b>355,896</b>	<b>169,787</b>	<b>160,410</b>	<b>(196,530)</b>	<b>1,605,058</b>
<b>Segment results</b>	<b>22,584</b>	<b>1,810</b>	<b>2,823</b>	<b>1,332</b>		<b>28,549</b>
Finance costs	(625)	(300)	(218)	(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)
Profit after taxation						25,298
Minority interests						(1,974)
Profit attributable to shareholders						<b>23,324</b>

# Greater China segment includes Hong Kong, Mainland China and Taiwan. The segment information for the six months ended 31st January 2004 has been reclassified for the segment results of Taiwan from Southeast Asia segment to Greater China segment to conform with the current period's presentation.

**2 Turnover and segment information (Continued)***(b) Secondary reporting format – business segments*

	Turnover		Segment results	
	Six months ended		Six months ended	
	31st January		31st January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Air freight	1,100,983	869,104	40,638	19,390
Sea freight	629,277	648,662	16,178	8,473
Exhibition forwarding and household removal services	63,815	38,691	7,565	1,932
Third party logistics	47,884	48,601	2	(1,246)
	<u>1,841,959</u>	<u>1,605,058</u>	<u>64,383</u>	<u>28,549</u>

**3 Operating profit**

Operating profit is stated after crediting and charging the following:

	Six months ended	
	31st January	
	2005	2004
	HK\$'000	HK\$'000
<b>Crediting</b>		
Gain on disposal of fixed assets	665	315
<b>Charging</b>		
Amortisation of goodwill	—	5,443
Depreciation of owned fixed assets	9,488	7,750
Depreciation of leased fixed assets	346	403

**4 Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

	Six months ended	
	31st January	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
Hong Kong profits tax	2,577	747
Overseas taxation charge	6,306	4,134
Under/(over) provision in prior years	770	(9)
Deferred taxation	429	(214)
	10,082	4,658
Share of taxation attributable to:		
Jointly controlled entities	365	932
Associated companies	608	363
Taxation charge	11,055	5,953

**5 Dividends**

	Six months ended	
	31st January	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
2004 final, paid, of HK10.0 cents (2003: HK10.0 cents) per share	30,150	30,150
2005 interim, proposed, of HK3.3 cents (2004: HK3.0 cents) per share	9,950	9,045
	<b>40,100</b>	39,195

## 5 Dividends *(Continued)*

*Notes:*

- (a) A final dividend of HK10.0 cents per share for the year ended 31st July 2004 was approved in the Annual General Meeting held on 23rd December 2004.
- (b) At a meeting held on 25th April 2005, the directors declared an interim dividend of HK3.3 per share for the six months ended 31st January 2005.

## 6 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$48,808,000 (2004: HK\$23,324,000).

The basic earnings per share for the six months ended 31st January 2005 is based on the weighted average of 301,500,500 (2004: 301,500,500) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 31st January 2005 is based on the weighted average number of 301,500,500 ordinary shares in issue during the period plus the 1,354,471 ordinary shares deemed to be issued at no consideration as if all outstanding share options had been exercised.

There was no potential dilutive shares in existence for the six months ended 31st January 2004 and therefore, no diluted earnings per share was presented.

**7 Fixed assets**

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer system <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount as at 1st August 2004	124,995	11,969	11,459	5,206	6,928	160,557
Exchange differences	—	305	167	33	737	1,242
Additions	—	4,683	3,565	971	7,150	16,369
Disposals	—	(65)	(639)	(119)	(229)	(1,052)
Depreciation charge	(1,537)	(2,689)	(1,966)	(1,464)	(2,178)	(9,834)
Transfer	—	—	(230)	—	230	—
Closing net book amount as at 31st January 2005	123,458	14,203	12,356	4,627	12,638	167,282

Leasehold land and buildings with aggregate net book values of HK\$116,633,000 (31st July 2004: HK\$118,000,000) have been pledged to banks to secure banking facilities granted to the Group.

**8 Goodwill**

	<i>HK\$'000</i>
Opening net book amount as at 1st August 2004	93,810
Adjustment of goodwill	120
Closing net book amount as at 31st January 2005	93,930

**9 Trade and other receivables**

	At 31st January 2005 <i>HK\$'000</i>	At 31st July 2004 <i>HK\$'000</i>
Trade receivables		
— jointly controlled entities	44,963	18,249
— associated companies	47,244	8,611
— related companies	1,869	2,499
— minority shareholders	1,460	1,336
— third parties	480,655	489,867
	<hr/>	<hr/>
	576,191	520,562
	<hr/>	<hr/>
Deposits, prepayments and other receivables		
— related companies	36,501	23,436
— a minority shareholder	2,521	2,521
— third parties	68,970	71,957
	<hr/>	<hr/>
	107,992	97,914
	<hr/>	<hr/>
	684,183	618,476

Included in other receivables from related companies were amounts totaling HK\$26,898,000 (31st July 2004: HK\$16,761,000) which represented amounts paid for establishment of subsidiaries and a jointly controlled entity.

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 trade receivables (net of provision) was as follows:

	At 31st January 2005 <i>HK\$'000</i>	At 31st July 2004 <i>HK\$'000</i>
30 days or below	263,854	269,474
31 — 60 days	130,020	125,869
61 — 90 days	67,679	39,198
Over 90 days	114,638	86,021
	<hr/> 576,191	<hr/> 520,562

**10 Trade and other payables**

	At 31st January 2005 <i>HK\$'000</i>	At 31st July 2004 <i>HK\$'000</i>
Trade payables		
— jointly controlled entities	172	3,260
— associated companies	2,327	192
— related companies	9	6
— third parties	185,278	176,756
	<hr/> 187,786	<hr/> 180,214
Accrued charges and other payables	234,034	238,755
Other payable to a related company	—	1,902
	<hr/> 421,820	<hr/> 420,871

**10 Trade and other payables (Continued)**

The ageing analysis of trade payables was as follows:

	At 31st January 2005 <i>HK\$'000</i>	At 31st July 2004 <i>HK\$'000</i>
30 days or below	125,494	110,765
31 — 60 days	37,612	38,202
61 — 90 days	12,751	16,186
Over 90 days	11,929	15,061
	<hr/>	<hr/>
	187,786	180,214
	<hr/>	<hr/>

**11 Share capital**

No. of shares      *HK\$'000*

Authorised:

Ordinary shares of HK\$0.10 each

At 31st July 2004 and

31st January 2005

500,000,000

50,000

Issued and fully paid:

Ordinary shares of HK\$0.10 each

At 31st July 2004 and

31st January 2005

301,500,500

30,150



**11 Share capital (Continued)****Share options**

On 4th May 2004, 20 directors and employees of the Group were offered options to subscribe a total of 14,400,000 shares at an exercise price of HK\$2.045 per share. All the share options will expire on 3rd May 2009. The options are exercisable as follows:

- (a) up to 25% thereof from the date of the first anniversary of the date of grant;
- (b) up to 50% thereof from the date of the second anniversary of the date of grant;
- (c) up to 75% thereof from the date of the third anniversary of the date of grant; and
- (d) up to 100% thereof from the date of the fourth anniversary of the date of grant.

The movement of share options granted pursuant to the Company's share option scheme are as follows:

Date of grant	Exercise price per share	Options held at 1st August 2004 (note)	Options granted during the period	Options exercised during the period	Options cancelled/lapsed during the period	Options held at 31st January 2005	Vested	Vested
							percentages at 31st January 2005	percentages at 31st July 2004
4th May 2004	HK\$2.045							
— Directors		5,200,000	—	—	—	5,200,000	0%	0%
— Employees		9,200,000	—	—	—	9,200,000	0%	0%
		14,400,000	—	—	—	14,400,000		

*Note:* 1,200,000 shares were held by an individual before his appointment as a director on 11th January 2005.

## 12 Reserves

	Share premium <i>HK\$'000</i>	Leasehold land and buildings reserves revaluation <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st August 2004	235,650	23,356	85	(1,019)	236,600	494,672
Exchange differences	—	—	—	1,438	—	1,438
Profit for the period	—	—	—	—	48,808	48,808
2004 final dividend paid	—	—	—	—	(30,150)	(30,150)
Transfer to other reserves	—	—	903	—	(903)	—
<b>At 31st January 2005</b>	<b>235,650</b>	<b>23,356</b>	<b>988</b>	<b>419</b>	<b>254,355</b>	<b>514,768</b>
Representing:						
Retained profits	—	—	—	—	244,405	244,405
2005 proposed interim dividend	—	—	—	—	9,950	9,950
Other reserves	235,650	23,356	988	419	—	260,413
	235,650	23,356	988	419	254,355	514,768
Retained by:						
Company and subsidiaries	235,650	23,356	988	532	242,113	502,639
Jointly controlled entities	—	—	—	(20)	(4,330)	(4,350)
Associated companies	—	—	—	(93)	16,572	16,479
	235,650	23,356	988	419	254,355	514,768

## 12 Reserves (Continued)

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st August 2003	235,650	(1,345)	222,619	456,924
Exchange differences	—	(17)	—	(17)
Profit guarantee received in relation to goodwill previously taken to retained profits	—	—	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)
<b>At 31st January 2004</b>	<b>235,650</b>	<b>(1,362)</b>	<b>218,154</b>	<b>452,442</b>
Representing:				
Retained profits	—	—	209,109	209,109
2004 proposed interim dividend	—	—	9,045	9,045
Other reserves	235,650	(1,362)	—	234,288
	<b>235,650</b>	<b>(1,362)</b>	<b>218,154</b>	<b>452,442</b>
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
	<b>235,650</b>	<b>(1,362)</b>	<b>218,154</b>	<b>452,442</b>

## 13 Long-term liabilities

	At 31st January 2005 <i>HK\$'000</i>	At 31st July 2004 <i>HK\$'000</i>
Deferred consideration payable ( <i>note 15(b)</i> )	8,114	7,564
Amounts due to minority shareholders ( <i>note a</i> )	1,704	1,998
Obligations under finance leases ( <i>note b</i> )	496	839
Secured long-term bank loan wholly repayable within five years ( <i>note c</i> )	15,345	17,344
	<hr/> 25,659	<hr/> 27,745
Current portion of long-term liabilities		
— deferred consideration payable	(8,114)	(3,782)
— obligations under finance leases	(347)	(632)
— long-term bank loan	(3,996)	(3,996)
	<hr/> (12,457)	<hr/> (8,410)
	<hr/> <hr/> 13,202	<hr/> <hr/> 19,335

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

## 13 Long-term liabilities (Continued)

(b) Minimum lease payments for finance leases:

	At 31st January 2005 <i>HK\$'000</i>	At 31st July 2004 <i>HK\$'000</i>
Within one year	388	713
In the second year	73	124
In the third to fifth year	90	94
After the fifth year	—	8
	551	939
Future finance charges	(55)	(100)
Present value of finance leases	496	839
Representing:		
Within one year	347	632
In the second year	66	114
In the third to fifth year	83	85
After the fifth year	—	8
	496	839

**13 Long-term liabilities (Continued)**

- (c) At 31st January 2005, the Group's long-term bank loan was repayable as follows:

	At 31st January 2005 HK\$'000	At 31st July 2004 HK\$'000
Within one year	3,996	3,996
In the second year	3,996	3,996
In the third to fifth year	7,353	9,352
	<hr/>	<hr/>
	15,345	17,344
	<hr/> <hr/>	<hr/> <hr/>

**14 Commitments**

- (a) *Capital commitments*

	At 31st January 2005 HK\$'000	At 31st July 2004 HK\$'000
Contracted but not provided for		
Investments	17,538	18,433
Fixed assets	1,916	2,241
	<hr/>	<hr/>
	19,454	20,674
	<hr/> <hr/>	<hr/> <hr/>

**14 Commitments (Continued)****(b) Operating lease commitments**

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

	At 1st January 2005 HK\$'000	At 31st July 2004 HK\$'000
Not later than one year	36,746	35,071
Later than one year and not later than five years	47,511	50,678
Later than five years	15,016	16,105
	<hr/> <hr/> 99,273	<hr/> <hr/> 101,854

**15 Contingent liabilities**

- (a) At 31st January 2005, the Group provided guarantees to banks in respect of banking facilities granted to certain associated companies amounting to HK\$24.8 million (31st July 2004: HK\$26.3 million) of which HK\$21.5 million (31st July 2004: HK\$20.5 million) has been utilised.
- (b) In November 2001, the Group acquired a 100% equity interest in Corporate Century Limited ("Corporate Century"), which in turn holds a 70% equity interest in BALtrans Logistics (Canada) Limited ("BALtrans Canada") at a consideration of CAD6,440,000 with contingent consideration payable in 2007 and 2008. An initial consideration of CAD3,864,000 was paid upon completion of the acquisition. The remaining consideration of CAD2,576,000 (approximately HK\$12,674,000) is payable by four equal annual instalments commencing in 2003. The deferred consideration payable as at 31st January 2005 was CAD1,288,000 (approximately HK\$8,114,000) (31st July 2004: CAD1,288,000) (approximately HK\$7,564,000) (note 13). The contingent consideration payable in 2007 and 2008 shall be one half of the amount, if any, by which net profit after taxation of BALtrans Canada for each of the financial years ending on 31st October 2006 and 31st October 2007 exceeds CAD1,840,000.

**15** **Contingent liabilities** *(Continued)*

(b) *(Continued)*

The vendors have undertaken 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 taxation for that financial year is less than CAD1,288,000 but provided that in no event shall the aggregate amount of all payments under this profit guarantee arrangement exceed CAD5,152,000.

- (c) In January 2003, the Group increased its interest in Supreme Airfreight Company Limited ("Supreme") 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 and 31st July 2005 but provided that in no event shall the adjustment exceeds HK\$9,999,999.

The vendor has undertaken to pay to the Group in respect of each of the financial years ending on 31st July 2003, 2004 and 2005 an amount by which the difference between 3.84 times of 12.5% of the net profit after taxation of Supreme is less than HK\$4,310,000 in each of these three years.

- (d) In May 2004, the Group acquired 100% equity interest in Exhibitstrans Logistics Limited ("Exhibitstrans") at a consideration of HK\$4,010,000 with contingent consideration payable in 2005, 2006 and 2007. The contingent consideration payable in 2005, 2006 and 2007 shall be 45.8% of gross profit of Exhibitstrans if the gross profit reaches the range of US\$200,001 to US\$600,000 and an additional 15% of gross profit for the amount exceeding US\$600,000 for each of the financial years ending on 31st July 2005, 2006 and 2007.



**16 Subsidiaries**

In January 2003, the Group acquired 100% of the issued share capital of Jardine Logistics Holdings Limited 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 new shares, representing then 20% of the enlarged issued share capital of the Company, to the vendor. Subsequent to the completion of the acquisition, certain issues were raised and claims have been filed against the vendor which may have an impact on the consideration. The Group is hopeful that the matter can be resolved amicably.

**17 Related party transactions**

Except for the related party transactions disclosed elsewhere in the accounts, the Group had the following material related party transactions carried out in the normal course of the Group's businesses during the period:

	Six months ended 31st January	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Transactions with jointly controlled entities		
Forwarding income received	29,542	24,308
Forwarding costs paid	(15,957)	(26,226)
Transactions with associated companies		
Forwarding income received	66,963	11,521
Forwarding costs paid	(17,012)	(4,978)
Transactions with related companies		
Forwarding income received	10,999	26,019
Forwarding costs paid	(455)	(1,035)

These transactions were conducted at terms in accordance with the agreements as entered into or at terms as agreed between the Group and the respective related parties.

## 18 Subsequent events

- (a) On 1st February 2005, the Group completed the acquisition of the remaining interest of 55% in Jardine-CCTA Logistics Services Limited, which was a then 45% interest held jointly controlled entity. The consideration amounted to HK\$15,185,000.
  
- (b) On 23rd March 2005, the Group entered into an agreement for the disposal of the interest in Fondair Express (HK) Limited and Fond Express Logistics Limited (the "Fond Group") to the directors and minority shareholders of the Fond Group. The disposal is subject to the approval of shareholders at the special general meeting to be held on 9th May 2005.

The total consideration of the disposal amounted to HK\$32,444,000 which includes an outstanding shortfall guaranteed return. The said guaranteed return is in relation to the Group's acquisition of 20% of the Fond Group from the minority shareholders in 2000. Under the terms of that acquisition, if the aggregate investment return (in respect of the 20% equity interest) for the 4 consecutive years ended 31st July 2004 received by the Group fails to reach HK\$18 million, the minority shareholders were obliged to pay the shortfall of the guaranteed return. The outstanding shortfall of the guaranteed return was approximately HK\$8,755,000.

The estimated gain on disposal is approximately HK\$11,388,000 which would be accounted for in the Group's accounts for the year ending 31st July 2005.

**18 Subsequent events** *(Continued)*

- (c) Subsequent to the period end, certain subsidiaries of the Company in the United States received a complaint filed with the United States Bankruptcy Court, alleging that those subsidiaries had collected antecedent debts ("Transfers") of approximately US\$1,400,000 from certain US customers within 90 days preceding 21st March 2003 (the date such US customers filed for voluntary petitions for reorganisation relief under Chapter 11 of the Bankruptcy Code in the US), and that these Transfers have enabled these subsidiaries of the Company to receive more than they would have received if such Transfers had not been made and the subsidiaries received payment on the antecedent debts to the extent provided by the Bankruptcy Code. The complaint seeks to void and recover such Transfers. The Company has sought legal advice on this issue. Based on the advice from the US counsel, the true exposure is likely to be significantly less than the full amount of the alleged Transfers due to the availability of a wide range of valid defences under the statute of limitations and on the merits recognised under several sections of the Bankruptcy Code as well as additional common law defences.

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

Hong Kong, 25th April 2005