



# **BALtrans Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

*Symbol of Quality Logistics Services (Stock Code: 562)*



Interim Report

2006

The board of Directors are pleased to present the Group's Interim Report and unaudited condensed consolidated financial statements for the six months ended 31st January 2006 of the Group (including the Company and its subsidiaries). The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 31st January 2006, and the consolidated balance sheet of the Group as at 31st January 2006, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 16 to 48 of this report.

### **Interim Dividend**

The directors have resolved to declare an interim dividend of HK3.7 cents per share (2005 interim dividend: HK3.3 cents per share). The interim dividend will be payable on or before Tuesday, 30th May 2006 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 17th May 2006.

### **Closure of Register of Members**

The Register of Members of the Company will be closed from Monday, 15th May 2006 to Wednesday, 17th May 2006 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 pm on Friday, 12th May 2006. Dividend warrants will be dispatched to the shareholders on or before Tuesday, 30th May 2006.

## MANAGEMENT DISCUSSION & ANALYSIS

### Summary Highlights

- Record half year turnover and profitability
- Continuing expansion drive into new markets and turnaround of loss making operations
- Strategic tie-up with Mitsui and new acquisition in South Africa to provide additional growth impetus going forward

### Financial Highlights

(HK\$ million)

	<b>2006</b>	2005	
	<b>(1st half)</b>	(1st half)	% growth
Turnover	<b>2,048.1</b>	1,842.0	11%
Gross profit	<b>316.9</b>	314.1	1%
EBITA	<b>89.2</b>	64.8	38%
Net profit	<b>71.0</b>	47.3	50%

### 1 Business Review

During the period under review, the Group achieved a record half-year turnover of over HK\$2.0 billion, approximately 11% higher than the previous year, despite challenging market conditions amidst rising fuel prices, carrier capacity tightness and Sino-foreign trade issues.

Our gross profit only increased marginally due to the absence of any contribution from Fond (which was disposed of during the second half of last financial year), the inclusion of JCCTA with a lower gross margin, pressures from higher freight cost as well as the cyclical effects of our exhibition forwarding business. Our EBITA increased by 38% to approximately HK\$89.2 million and our net profit increased by 50% to HK\$71.0 million due to continuing improvement in operating margin of Group entities, the turnaround of JCCTA as a result of management restructuring and non-recurrent gains namely disposal gain of approximately HK\$11.4 million for Korchina and cost write-backs amounting to HK\$10.4 million, of which approximately HK\$8.9 million related to our US operation, despite the absence of profit contribution from Fond and Korchina which contributed a net profit of approximately HK\$10.5 million during the comparative period last year.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 1 Business Review (Continued)

A summary of major non-recurrent items and the impact on the net profit comparison is set out in the table below:

(HK\$ million)

	<b>2006</b> <b>(1st half)</b>	2005 (1st half)	% change
Net profit	<b>71.0</b>	47.3	+50%
Discontinued operations (note)	–	(10.5)	N/A
Non-recurrent gain and cost write-backs	<b>(21.8)</b>	–	N/A
Recurrent net profit comparison	<b>49.2</b>	36.8	+34%

Note: Profit contribution from Fond and Korchina which were disposed of in May and August 2005 respectively.

We have started our new operations in Amsterdam and Rotterdam in October 2005, which contributed a start-up loss of approximately HK\$2.7 million during the first half. However, this new operation has achieved profitability since February 2006 and is expected to make a valuable contribution to the Group going forward.

Our improved financial and working capital management initiatives have continued to deliver results. We managed to reduce our debtor days from 57 days at the end of the comparative period to 49 days at the end of the first half.

In January 2006, Mitsui & Co., Ltd. became a 25% shareholder of the Company and signed a strategic alliance agreement with the Group. This sets out a number of areas for potential strategic co-operation which will benefit both parties going forward.

With the adoption of the new HKAS 16, the Group has opted for the cost model in respect of our accounting policy on buildings as these buildings are essentially self-occupied properties for business purposes. As a result, we made one-off adjustments to property, plant and equipment and the revaluation reserve/retained profits reducing the net asset value of the Group by approximately HK\$60.7 million. These adjustments have no impact on the Group's ongoing cash flow.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 1 Business Review (Continued)

#### 1.1 Markets

Turnover (HK\$ million)	Greater China	North America	Southeast Asia	EMEA	Total
<b>2006 (1st half)</b>	<b>1,378</b>	<b>329</b>	<b>161</b>	<b>180</b>	<b>2,048</b>
2005 (1st half)	1,164	378	154	146	1,842
% change	+18%	- 13%	+5%	+23%	+11%

The Group's operation in the Greater China region was the largest contributor to the Group's overall turnover during the first half at approximately 67%. This represents an increase of approximately 18% from the previous period due to the inclusion of JCCTA turnover. Operating profit increased by 20% over the previous period to approximately HK\$56.1 million.

North America contributed 16% of the Group's turnover during the period. The turnover decreased by 13% due to the exclusion of turnover contribution by Fond. The operating profit of HK\$23.3 million is 99% higher than the previous period, mainly due to more effective cost management as well as a non-recurring cost write-back of approximately HK\$8.9 million in the US.

Southeast Asia contributed 8% of the Group's revenue and registered a turnover increase of 5%. The operating profit for the region doubled to HK\$7.1 million due to profit improvement across all countries except for India, which had some start-up losses during the first half.

The Europe, Middle East and Africa ("EMEA") region makes up approximately 9% of the Group's turnover during the period. The turnover increased by 23% compared to the previous period due to stable UK performance and the turnover contribution from the new Netherlands operation. The EMEA region made a small operating loss of less than HK\$1.0 million compared to a HK\$1.0 million operating profit in the same period last year as an increased profit contribution from the UK was more than offset by the start up losses in the Netherlands.

Overall, all geographical regions reported improvement in operating profit, apart from the Netherlands and India which had start-up losses. The Netherlands operation has achieved profitability by the beginning of the second half and is expected to contribute positively going forward.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 1 Business Review (Continued)

#### 1.2 Services

##### 1.2.1 Airfreight

Turnover (HK\$ million)	Greater China	North America	Southeast Asia	EMEA	Total
<b>2006 (1st half)</b>	<b>857</b>	<b>212</b>	<b>83</b>	<b>70</b>	<b>1,222</b>
2005 (1st half)	714	255	81	51	1,101
% change	+20%	- 17%	+2%	+37%	+11%

Airfreight turnover increased by 11% to approximately HK\$1.2 billion, making up approximately 60% of the Group's total turnover. The increase was mainly driven by the steady growth in Greater China traffic and business expansion in the EMEA region. The turnover decrease in North America was due to the exclusion of Fond's turnover contribution.

The operating profit from airfreight increased by 40% to HK\$55.7 million due to volume growth and continuing improvement in operational efficiency as a result of management efforts.

##### 1.2.2 Seafreight

Turnover (HK\$ million)	Greater China	North America	Southeast Asia	EMEA	Total
<b>2006 (1st half)</b>	<b>398</b>	<b>111</b>	<b>62</b>	<b>105</b>	<b>676</b>
2005 (1st half)	358	120	57	94	629
% change	+11%	- 8%	+9%	+12%	+7%

Seafreight turnover increased by approximately 7% to HK\$676.3 million, making up 33% of the Group's turnover. The turnover decrease in North America was due to the exclusion of turnover contribution from Fond this year. Apart from North America, all other markets reported healthy turnover growth.

Operating profit from seafreight division increased by 59% to HK\$25.1 million due to volume growth and continuing improvement in operational efficiency as a result of management efforts.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 1 Business Review (Continued)

#### 1.2 Services (Continued)

##### 1.2.3 Exhibition Forwarding and Household Removal Services

The turnover from exhibition forwarding and household removal decreased by 8% to HK\$58.9 million mainly due to cyclical effects. The exhibition events of some of our key clients are held every other year (including last year). The absence of such events this year led to a slowdown in our segmental performance. As a result of cyclical slowdown and increase in business development expenses, operating profit decreased by 79% to HK\$1.6 million. Based on cyclical trends in the past, we believe we will see stronger performance in the coming year.

##### 1.2.4 Third Party Logistics

The turnover from third party logistics ("3PL") grew strongly by 90% to HK\$91.0 million due to the inclusion of contribution from JCCTA, strong expansion of 3PL business in Greater China as well as turnover contribution from our new operations in the Netherlands. An operating profit of HK\$3.7 million was achieved during the first half compared to a small operating loss in the comparative period last year.

### 2 Outlook

Looking forward, we are encouraged by the number of market opportunities that are becoming accessible to BALtrans Group, both in terms of opportunities to expand into new markets through acquisitions as well as our ability to attract high caliber industry executives to drive the Group forward.

During the first half and shortly thereafter, we had strengthened our regional management teams in the EMEA region and in Asia Pacific through selective recruitment. We will continue to search for industry talents to help the Group expand further in the global markets.

Towards the end of the first half, we have signed the sales and purchase agreement to acquire 52% of Clover Cargo Holdings (Proprietary) Limited ("Clover Cargo"), a major freight forwarding company in South Africa with more than 200 employees. This transaction is expected to be completed by May 2006. This represents a key milestone in our expansion into new markets in the EMEA region.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 2 Outlook (Continued)

Increasing globalisation and outsourcing trend have continued to drive international trade growth. We will continue our search for opportunities to expand into new key markets to complement our existing international platform. With the backing of Mitsui & Co., Ltd., one of the largest trading conglomerates in Japan, we should be able to improve our marketing capability to tap into the new business opportunities with the Japanese corporate sector globally.

### 3 Financial Information

#### 3.1 Liquidity, Financial Resources and Funding

As at 31st January 2006, the Group had cash and cash equivalents of HK\$211.5 million (31st July 2005: HK\$203.0 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 equity) for the period was 14.0% (31st July 2005: 19.0%). However, the Group was in a net cash position of HK\$137.4 million (31st July 2005: HK\$118.1 million).

For the half year ended 31st January 2006, total spending on property, plant and equipment was less than the same period last year. HK\$9.3 million (2005: HK\$15.9 million) was paid for the purchase of property, plant and equipment. HK\$0.2 million (2005: HK\$1.7 million) was received for the disposal of property, plant and equipment.

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, TWD and RMB. Overdraft and short term loan facilities were granted to the Group at normal market interest rates.

As a matter of principle, the Group requires adequate working capital to be retained by overseas subsidiaries and then 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.



## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 3 Financial Information (Continued)

#### 3.2 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\$15.7 million (31st July 2005: HK\$11.3 million) as security for banking facilities extended to the Group.

#### 3.3 Core Investments and Acquisitions

The Group has signed an agreement to acquire an additional 24% equity interest in BALtrans Logistics (China) Limited, a non-wholly owned subsidiary in December 2005, and such acquisition has been completed in March 2006. In addition, the Group has entered into an agreement to acquire 52% equity interest in a South African freight forwarding company, Clover Cargo, in January 2006.

#### 3.4 Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 17 to the condensed consolidated financial statements.

#### 3.5 Staff and Employment

As at 31st January 2006, the Group employed a workforce of 1,752 (2005: 1,497). Total staff remuneration for the half year ended 31st January 2006 was HK\$149.2 million including retirement benefit expenses of HK\$7.7 million (2005: HK\$140.0 million including retirement benefit expenses of HK\$5.8 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.

#### 3.6 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.

## MANAGEMENT DISCUSSION & ANALYSIS (Continued)

### 3 Financial Information (Continued)

#### 3.7 Share Option Scheme

On 28th December 2001, the Company has adopted the current share option scheme (the "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 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 Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 30,350,050 (10% of the share capital of the Company as at the date of the renewed general mandate approved at the Company's general meeting on 21st December 2005). The movements of share options during the period are set out in note 13 to the condensed consolidated financial statements.

## DISCLOSURE OF INTEREST

### 1 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 2006, 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:

#### 1.1 Long positions in shares of the Company

Name of directors	Nature of interest	Number of the shares of the Company beneficially held	Approximate percentage to the issued share capital of the Company as at 31st January 2006
Mr. Anthony Siu Wing	Trust interest	73,286,000	24.12%
LAU (note 1)	Personal interest	500,000	0.16%
Mr. Hooi Chong NG	Personal interest	300,000	0.10%
Mr. William Hugh Purton BIRD (note 2)	Corporate interest	41,803,688	13.76%
Mr. David Chung Hung WAI	Personal interest	25,654,487	8.44%
Mr. Christopher John David CLARKE	Personal interest	78,000	0.03%

## DISCLOSURE OF INTEREST (Continued)

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

#### 1.1 Long positions in shares of the Company (Continued)

Notes:

- 1 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.
- 2 These shares were beneficially owned by Tropical Holding Investment Inc. which is wholly owned by Mr. William Hugh Purton BIRD and his wife.

#### 1.2 Long positions in underlying shares of the Company – share options

Name of directors	Date of grant	Exercise price per share	Options					Options held as at 31st January 2006	Approximate percentage to the issued share capital of the Company as at 31st January 2006
			Options held as at 1st August 2005	Options granted during the period	Options exercised during the period	Options cancelled/ lapsed during the period	Options held as at 31st January 2006		
Mr. Anthony Siu Wing LAU	4th May 2004	HK\$2.045	2,000,000	-	(500,000)	-	1,500,000	0.49%	
	17th August 2005	HK\$2.950	-	1,600,000	-	-	1,600,000	0.53%	
Mr. Hoi Chong NG	4th May 2004	HK\$2.045	1,200,000	-	(300,000)	-	900,000	0.29%	
	17th August 2005	HK\$2.950	-	600,000	-	-	600,000	0.20%	
Mr. David Chung Hung WAI	4th May 2004	HK\$2.045	1,500,000	-	-	-	1,500,000	0.49%	
			4,700,000	2,200,000	(800,000)	-	6,100,000	2.01%	

## **DISCLOSURE OF INTEREST (Continued)**

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

#### **1.2 Long positions in underlying shares of the Company – share options (Continued)**

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 2006, 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 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.

## DISCLOSURE OF INTEREST (Continued)

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

As at 31st January 2006, 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:

#### 2.1 Long positions in shares

Name of shareholders	Nature of interest	Number of the shares of the Company beneficially held	Approximate percentage to the issued share capital of the Company as at 31st January 2006
Mitsui & Co., Ltd. (note 1)	Beneficial interest	75,875,125	24.98%
Asian Rim Company Limited (note 2)	Beneficial interest	73,286,000	24.12%
Tropical Holding Investment Inc. (note 3)	Beneficial interest	41,803,688	13.76%
Allianz Aktiengesellschaft	Beneficial interest	27,280,000	8.98%
Dresdner Bank Aktiengesellschaft (note 4)	Corporate interest	27,280,000	8.98%
Veer Palthe Voûte NV (note 4)	Corporate interest	27,280,000	8.98%

Notes:

1. Mr. Naruyuki SADO is an employee of Mitsui & Co., Ltd. and a non-executive director of the Company.
2. Mr. Anthony Siu Wing LAU is a director of Asian Rim Company Limited.
3. These shares were beneficially owned by Tropical Holding Investment Inc. which is wholly owned by Mr. William Hugh Purton BIRD and his wife.
4. Subsidiaries of Allianz Aktiengesellschaft, a Company listed on the Stock Exchange of Germany.

Apart from the aforesaid, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO for the period ended 31st January 2006.

## OTHER INFORMATION

### 1 Compliance with the Code on Corporate Governance Practices of the Listing Rules

Throughout the period, the Company was in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except for the following deviations:

#### Code provision A2.1

The above provision requires the roles of chairman and chief executive officer to be separate and should not be performed by the same individual. The division of responsibility between the chairman and chief executive officer should also be clearly established in writing. Currently the Chairman of the Company assumes the role of the chief executive officer which constitutes a deviation from the Code.

However, the roles will be separate when the new chief executive officer is on board, and the written division of responsibility between the chairman and the chief executive officer will then be defined.

#### Code provision A4.1

The above provision states that non-executive directors should be appointed for a specific term, subject to re-election. Although non-executive directors are not appointed to a term specified by the Company, the Company's Bye-laws requires that every director is subject to re-election at the general meetings once every three years.

However, the Company will make such appropriate arrangement in order to have all non-executive directors appointed for a specific term.

### 2 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.

### 3 Review of Interim Results

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 condensed consolidated financial statements for the six months ended at 31st January 2006 with the directors.

## **OTHER INFORMATION (Continued)**

### **4 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, 21st April 2006



**CONDENSED CONSOLIDATED INCOME STATEMENT****For the six months ended 31st January 2006**

	Note	Unaudited Six months ended 31st January	
		2006 HK\$'000	2005 HK\$'000 (Restated)
Turnover	4	<b>2,048,051</b>	1,841,959
Cost of services rendered		<b>(1,731,121)</b>	(1,527,851)
<b>Gross profit</b>		<b>316,930</b>	314,108
Other revenues		<b>810</b>	722
Other operating income	5	<b>26,606</b>	1,981
Administrative and other operating expenses		<b>(258,333)</b>	(253,980)
<b>Operating profit</b>	6	<b>86,013</b>	62,831
Finance costs	7	<b>(1,755)</b>	(1,263)
Share of profits less losses of			
Jointly controlled entities		<b>169</b>	(2,942)
Associates		<b>2,101</b>	4,231
<b>Profit before income tax</b>		<b>86,528</b>	62,857
Income tax expenses	8	<b>(10,006)</b>	(10,082)
<b>Profit for the period</b>		<b>76,522</b>	52,775
Attributable to:			
Equity holders of the Company		<b>71,032</b>	47,256
Minority interests		<b>5,490</b>	5,519
		<b>76,522</b>	52,775
Dividend	9	<b>11,241</b>	9,950
Earnings per share		<b>HK cents</b>	HK cents
Basic	10	<b>23.4</b>	15.7
Diluted	10	<b>23.0</b>	15.6

**CONDENSED CONSOLIDATED BALANCE SHEET****As at 31st January 2006**

		<b>Unaudited</b>	
		<b>At</b>	<b>At</b>
		<b>31st January</b>	<b>31st July</b>
		<b>2006</b>	<b>2005</b>
Note		<b>HK\$'000</b>	<b>HK\$'000</b>
			(Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>96,868</b>	98,320
Leasehold land and land use rights	11	<b>55,259</b>	55,923
Intangible assets	11	<b>122,190</b>	122,303
Jointly controlled entities		<b>5,510</b>	3,461
Associates		<b>7,069</b>	31,143
Deferred income tax assets		<b>8,267</b>	9,106
		<b>295,163</b>	320,256
<b>Current assets</b>			
Trade and other receivables	12	<b>679,893</b>	675,478
Other financial assets at fair value through profit or loss		<b>4,209</b>	–
Other investments		–	1,565
Income tax recoverable		<b>937</b>	891
Pledged bank deposits		<b>15,688</b>	11,256
Bank balances and cash		<b>230,011</b>	236,622
		<b>930,738</b>	925,812
<b>Total assets</b>		<b>1,225,901</b>	1,246,068

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

As at 31st January 2006

		<b>Unaudited</b>	
		<b>At</b>	At
		<b>31st January</b>	31st July
		<b>2006</b>	2005
	Note	<b>HK\$'000</b>	HK\$'000
			(Restated)
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	13	<b>30,380</b>	30,220
Reserves			
Retained profits		<b>321,173</b>	261,384
Other reserves		<b>247,140</b>	242,330
Proposed dividends		<b>11,241</b>	39,286
		<b>609,934</b>	573,220
<b>Minority interests</b>		<b>24,015</b>	21,999
<b>Total equity</b>		<b>633,949</b>	595,219
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	<b>13,557</b>	15,657
Retirement liabilities		<b>1,380</b>	2,320
Deferred income tax liabilities		<b>1,074</b>	1,938
		<b>16,011</b>	19,915
<b>Current liabilities</b>			
Trade and other payables	15	<b>468,460</b>	506,432
Borrowings	14	<b>86,184</b>	108,130
Current income tax liabilities		<b>21,297</b>	16,372
		<b>575,941</b>	630,934
<b>Total liabilities</b>		<b>591,952</b>	650,849
<b>Total equity and liabilities</b>		<b>1,225,901</b>	1,246,068
<b>Net current assets</b>		<b>354,797</b>	294,878
<b>Total assets less current liabilities</b>		<b>649,960</b>	615,134

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT****For the six months ended 31st January 2006**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st January</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>39,288</b>	8,801
Net cash from/(used in) investing activities	<b>22,252</b>	(21,115)
Net cash used in financing activities	<b>(52,765)</b>	(21,152)
Effect of changes in exchange rates	<b>(330)</b>	918
Increase/(decrease) in cash and cash equivalents	<b>8,445</b>	(32,548)
Cash and cash equivalents at the beginning of the period	<b>203,027</b>	138,821
Cash and cash equivalents at the end of the period	<b>211,472</b>	106,273
Analysis of balances of cash and cash equivalents:		
Total bank balances and cash	<b>230,011</b>	164,649
Less: bank balances and cash maturing more than three months from the date of placement	<b>(6,060)</b>	–
Bank balances and cash maturing within three months from the date of placement	<b>223,951</b>	164,649
Bank overdrafts	<b>(12,479)</b>	(58,376)
	<b>211,472</b>	106,273

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the six months ended 31st January 2006**

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital HK\$'000	Retained profits HK\$'000	Other reserves HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st August 2004, as previously reported as equity	30,150	236,600	258,072	–	524,822
At 1st August 2004, as previously separately reported as minority interests	–	–	–	19,105	19,105
Prior period adjustments:					
Reversal of revaluation surplus and deficit of land and buildings	–	39,897	(28,310)	–	11,587
Reversal of deferred taxation previously charged to revaluation reserve	–	–	4,954	–	4,954
Increase in depreciation charge of buildings	–	(12,180)	–	–	(12,180)
Increase in amortisation charge of land	–	(11,195)	–	–	(11,195)
Recognition of employee benefits on share options	–	(1,026)	1,026	–	–
At 1st August 2004, as restated	30,150	252,096	235,742	19,105	537,093
Net income recognised directly in equity:					
Exchange differences arising on translation of the financial statements of subsidiaries, jointly controlled entities and associates	–	–	1,438	–	1,438
Profit for the period, as restated	–	47,256	–	5,519	52,775
Total recognised income for the six months ended 31st January 2005	–	47,256	1,438	5,519	54,213
Employee benefits on share options	–	–	1,672	–	1,672
2004 final dividend	–	(30,150)	–	(1,922)	(32,072)
Transfer	–	(903)	903	–	–
<b>At 31st January 2005, as restated</b>	<b>30,150</b>	<b>268,299</b>	<b>239,755</b>	<b>22,702</b>	<b>560,906</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31st January 2006

	Unaudited Attributable to equity holders of the Company				Total HK\$'000
	Share capital HK\$'000	Retained profits HK\$'000	Other reserves HK\$'000	Minority interests HK\$'000	
At 1st August 2005, as previously reported as equity	30,220	312,881	303,367	–	646,468
At 1st August 2005, as previously separately reported as minority interests	–	–	–	21,999	21,999
Prior period adjustments:					
Reversal of revaluation surplus of land and buildings	–	18,029	(79,282)	–	(61,253)
Reversal of deferred taxation previously charged to revaluation reserve	–	–	13,875	–	13,875
Increase in depreciation charge of buildings	–	(13,347)	–	–	(13,347)
Increase in amortisation charge of land	–	(12,522)	–	–	(12,522)
Recognition of employee benefits on share options	–	(4,370)	4,370	–	–
At 1st August 2005, as restated	30,220	300,671	242,330	21,999	595,220
Net income recognised directly in equity:					
Exchange differences arising on translation of the financial statements of subsidiaries, jointly controlled entities and associates	–	–	492	–	492
Profit for the period	–	71,032	–	5,490	76,522
Total recognised income for the six months ended 31st January 2006	–	71,032	492	5,490	77,014
Issue of shares upon exercise of share options	160	–	3,112	–	3,272
Disposal of subsidiaries	–	–	–	(103)	(103)
Employee benefits on share options	–	–	1,203	–	1,203
2005 final dividend	–	(39,286)	–	(3,371)	(42,657)
Transfer	–	(3)	3	–	–
<b>At 31st January 2006</b>	<b>30,380</b>	<b>332,414</b>	<b>247,140</b>	<b>24,015</b>	<b>633,949</b>

Representing:

Retained profits	321,173
Proposed dividend	11,241
	<u>332,414</u>

## Notes to the Condensed Consolidated Financial Statements

### 1 BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 31st January 2006 (the “Condensed Consolidated Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Condensed Consolidated Financial Statements should be read in conjunction with the annual financial statements for the year ended 31st July 2005.

### 2 PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the Condensed Consolidated Financial Statements are consistent with those used in the financial statements for the year ended 31st July 2005, except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) (collectively the “new HKFRSs”). In the year ended 31st July 2005, the Group early adopted HKFRS 3 “Business combinations”, HKAS 36 “Impairment of assets” and HKAS 38 “Intangible assets”. With effect from 1st August 2005, the Group adopted all the remaining new/revised HKFRSs that are currently in issue and effective for the accounting periods commencing on or after 1st January 2005.

The Condensed Consolidated Financial Statements have been prepared in accordance with those HKFRSs, HKASs and interpretations issued and effective as at the time of preparing the Condensed Consolidated Financial Statements. Subsequently, the HKICPA has issued a number of new standards, amendments and interpretations to existing standards which are not yet effective for the current accounting period. The Group has not early adopted these new standards, amendments and interpretations. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to analyse and quantify the impact on its results of operations and financial position.

### 3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES

The Group has early adopted the following new HKFRSs in its financial statements for the year ended 31st July 2005:

HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKFRS 3	Business Combinations

During the period, the Group has adopted other new HKFRSs listed below, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

**3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)**

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 7, 8, 10, 21, 23, 24, 28, 31, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- (i) HKASs 7, 8, 10, 23, 28, 31, 33 and HKAS-Int 15 had no material effect on the Group's policies;
- (ii) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard; and
- (iii) HKAS 24 has affected the identification of related parties and some other related party disclosures.



### 3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

The major changes in the Group's principal accounting policies or the presentation of financial statements as a result of the adoption of the new HKFRSs are summarised below:

#### (a) HKASs 1 and 27

The adoption of HKAS 1 and HKAS 27 has mainly resulted in the following presentation change in the Group's financial statements:

- (i) minority interests are now required to be shown within the Group's equity. On the face of the condensed consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period; and
- (ii) the Group's share of profits less losses (net of income taxes) of jointly controlled entities and associates are required to be presented on the face of the condensed consolidated income statement.

#### (b) HKAS 16

In prior years, buildings were stated at valuation. Increases in valuation were credited to the revaluation reserve. Decreases in valuation were first offset against increases on earlier valuations in respect of the same property and were thereafter charged to operating profit. Any subsequent increases were credited to operating profit up to the amount previously charged. Deferred taxation liabilities were provided on temporary difference arising from revaluation on buildings.

The Group has opted for the cost model in respect of its accounting policy on buildings upon the adoption of HKAS 16, which requires those buildings to be carried at cost less accumulated depreciation and any accumulated impairment losses.

This change in accounting policy has been applied retrospectively so that the comparative figures have been restated to conform with the changed policy.

The residual values and useful lives of property, plant and equipment are now required to be reviewed and adjusted, if appropriate, at least at each financial year end. The directors have reviewed the residual values and useful lives of property, plant and equipment and do not consider that there are any significant changes from the previous estimates.

### 3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (c) HKAS 17

The adoption of revised HKAS 17 has resulted in a change in accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were stated at valuation less accumulated amortisation and any accumulated impairment losses.

This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy.

#### (d) HKASs 32, 39 and 39 Amendment

The adoption of HKASs 32 and 39 has resulted in change in the accounting policy relating to the Group's other investments. Other investments which were previously stated at fair value are now redesignated as financial assets at fair value through profit or loss and continued to be carried in the balance sheet at their fair values.

This change in accounting policy does not have significant impact to the Group except for the presentational change on the face of the consolidated balance sheet.

As HKAS 39 does not permit to recognise, derecognise and measure financial assets on a retrospective basis, the comparative figures as presented in the Condensed Consolidated Financial Statements have not been restated.

#### (e) HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments.

The Group operates an equity-settled, share-based compensation plan. Until 31st July 2005, the Group did not have to account for the expenses in respect of the share options granted by the Company to the Group's directors and employees. With effect from 1st August 2005, the Group has to charge the cost of share options in the income statement in the current period. Such change in accounting policy has been applied retrospectively and the comparative figures have been restated accordingly.

#### (f) HKFRS 5

The adoption of HKFRS 5 has resulted in the reclassification of certain assets which the Group had the intention to dispose of as non-current assets held for sale. This change in accounting policy has been applied prospectively in accordance with the transitional provisions as set out in HKFRS 5.

### 3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (g) Summary of effects on adopting the new HKFRSs

*Increase/(decrease) in profit for the period*

	Effect on adopting				Total HK\$'000
	HKAS 1 HK\$'000	HKAS 16 HK\$'000	HKAS 17 HK\$'000	HKFRS 2 HK\$'000	
<b>(i) Condensed consolidated income statement</b>					
Six months ended 31st January 2005					
Administrative expenses and other operating expenses:					
Depreciation charge of property, plant and equipment	-	784	-	-	784
Amortisation charge of leasehold land and land use rights	-	-	(664)	-	(664)
Employee benefits on share options	-	-	-	(1,672)	(1,672)
Share of profits less losses of					
Jointly controlled entities	(365)	-	-	-	(365)
Associates	(608)	-	-	-	(608)
Income tax expenses	973	-	-	-	973
<b>Profit for the period</b>	<b>-</b>	<b>784</b>	<b>(664)</b>	<b>(1,672)</b>	<b>(1,552)</b>
Earnings per share:					
Basic (HK cents)	-	0.2	(0.2)	(0.5)	(0.5)
Diluted (HK cents)	-	0.2	(0.2)	(0.5)	(0.5)
<b>Six months ended 31st January 2006</b>					
Administrative expenses and other operating expenses:					
Depreciation charge of property, plant and equipment	-	1,704	-	-	1,704
Amortisation charge of leasehold land and land use rights	-	-	(664)	-	(664)
Employee benefits on share options	-	-	-	(1,203)	(1,203)
Share of profits less losses of					
Jointly controlled entities	(36)	-	-	-	(36)
Associates	(188)	-	-	-	(188)
Income tax expenses	224	-	-	-	224
<b>Profit for the period</b>	<b>-</b>	<b>1,704</b>	<b>(664)</b>	<b>(1,203)</b>	<b>(163)</b>
Earnings per share:					
Basic (HK cents)	-	0.5	(0.2)	(0.4)	(0.1)
Diluted (HK cents)	-	0.5	(0.2)	(0.4)	(0.1)

### 3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (g) Summary of effects on adopting the new HKFRSs (Continued)

Increase/(decrease) in net assets

	Effect on adopting					Total HK\$'000
	HKAS 16 HK\$'000	HKAS 17 HK\$'000	HKASs 32 and 39 HK\$'000	HKFRS 2 HK\$'000	HKFRS 5 HK\$'000	
<b>(ii) Condensed consolidated balance sheet</b>						
At 1st August 2004						
Property, plant and equipment	(593)	(68,432)	-	-	-	(69,025)
Leasehold land and land use rights	-	57,237	-	-	-	57,237
Deferred income tax liabilities	4,954	-	-	-	-	4,954
<b>Net assets</b>	<b>4,361</b>	<b>(11,195)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,834)</b>
Retained profits	27,717	(11,195)	-	(1,026)	-	15,496
Other reserves	(23,356)	-	-	1,026	-	(22,330)
<b>Equity</b>	<b>4,361</b>	<b>(11,195)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,834)</b>
At 1st August 2005						
Property, plant and equipment	(74,600)	(68,445)	-	-	-	(143,045)
Leasehold land and land use rights	-	55,923	-	-	-	55,923
Non-current assets held for sale	-	-	-	-	25,972	25,972
Associates	-	-	-	-	(25,972)	(25,972)
Other financial assets at fair value through profit or loss	-	-	1,565	-	-	1,565
Other investments	-	-	(1,565)	-	-	(1,565)
Deferred income tax liabilities	13,875	-	-	-	-	13,875
<b>Net assets</b>	<b>(60,725)</b>	<b>(12,522)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,247)</b>
Retained profits	4,682	(12,522)	-	(4,370)	-	(12,210)
Other reserves	(65,407)	-	-	4,370	-	(61,037)
<b>Equity</b>	<b>(60,725)</b>	<b>(12,522)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,247)</b>
<b>At 31st January 2006</b>						
Property, plant and equipment	<b>(72,896)</b>	<b>(68,445)</b>	-	-	-	<b>(141,341)</b>
Leasehold land and land use rights	-	<b>55,259</b>	-	-	-	<b>55,259</b>
Other financial assets at fair value through profit or loss	-	-	<b>4,209</b>	-	-	<b>4,209</b>
Other investments	-	-	<b>(4,209)</b>	-	-	<b>(4,209)</b>
Deferred income tax liabilities	<b>13,875</b>	-	-	-	-	<b>13,875</b>
<b>Net assets</b>	<b>(59,021)</b>	<b>(13,186)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,207)</b>
Retained profits	<b>6,386</b>	<b>(13,186)</b>	-	<b>(5,573)</b>	-	<b>(12,373)</b>
Other reserves	<b>(65,407)</b>	-	-	<b>5,573</b>	-	<b>(59,834)</b>
<b>Equity</b>	<b>(59,021)</b>	<b>(13,186)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,207)</b>



#### 4 TURNOVER AND SEGMENT INFORMATION (Continued)

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

	Six months ended 31st January 2005 (Restated)					
	Greater China HK\$'000	North America HK\$'000	Southeast Asia HK\$'000	EMEA HK\$'000	Elimination HK\$'000	Group 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>
Segment results	46,656	11,728	3,518	929	–	62,831
Finance costs	(958)	(170)	(68)	(67)	–	(1,263)
Share of profits less losses of						
Jointly controlled entities	(2,942)	–	–	–	–	(2,942)
Associates	3,600	(1)	792	(160)	–	4,231
<b>Profit before income tax</b>						<b>62,857</b>
Income tax expenses						(10,082)
<b>Profit for the period</b>						<b>52,775</b>
Capital expenditure for property, plant and equipment	13,983	1,080	586	220	–	15,869
Depreciation charge	6,413	497	1,448	692	–	9,050
Amortisation charge	664	–	–	–	–	664
Provision for impairment of trade receivables	7,644	1,390	280	435	–	9,749
	At 31st July 2005 (Restated)					
Segment assets	860,648	165,580	89,256	85,983	–	1,201,467
Jointly controlled entities	3,461	–	–	–	–	3,461
Associates	29,516	798	3,360	(2,531)	–	31,143
Unallocated assets						9,997
<b>Total assets</b>						<b>1,246,068</b>
Segment liabilities	482,714	33,788	35,150	80,887	–	632,539
Unallocated liabilities						18,310
<b>Total liabilities</b>						<b>650,849</b>

#### 4 TURNOVER AND SEGMENT INFORMATION (Continued)

##### (b) Secondary reporting format – business segments

	Six months ended 31st January 2006			At 31st January 2006
	Turnover	Segment results	Capital expenditure	Total assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Air freight	1,221,879	55,696	4,585	494,534
Sea freight	676,317	25,062	2,431	327,788
Exhibition forwarding and household removal services	58,875	1,578	932	52,482
Third party logistics	90,980	3,677	1,349	98,142
	<b>2,048,051</b>	<b>86,013</b>	<b>9,297</b>	<b>972,946</b>
Jointly controlled entities	–	–	–	5,510
Associates	–	–	–	7,069
Unallocated#	–	–	–	240,376
<b>Total</b>	<b>2,048,051</b>	<b>86,013</b>	<b>9,297</b>	<b>1,225,901</b>

  

	Six months ended 31st January 2005			At 31st July 2005
	Turnover	Segment results	Capital expenditure	Total assets
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Air freight	1,100,983	39,644	9,442	466,480
Sea freight	629,277	15,747	4,592	344,340
Exhibition forwarding and household removal services	63,815	7,565	287	71,429
Third party logistics	47,884	(125)	1,548	82,071
	1,841,959	62,831	15,869	964,320
Jointly controlled entities	–	–	–	3,461
Associates	–	–	–	31,143
Unallocated#	–	–	–	247,144
<b>Total</b>	<b>1,841,959</b>	<b>62,831</b>	<b>15,869</b>	<b>1,246,068</b>

# Total unallocated assets comprise intangible assets, buildings, leasehold land and land use rights, income tax recoverable and deferred income tax assets.

## 5 OTHER OPERATING INCOME

	<b>Six months ended</b>	
	<b>31st January</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Compensation on claims (note a)	<b>10,443</b>	–
Net exchange gain	<b>1,601</b>	–
Gain on disposal of non-current assets held for sale (note b)	<b>11,409</b>	–
Gain on partial disposal of an associate	<b>122</b>	–
Gain on dissolution of subsidiaries	<b>30</b>	–
Gain on disposal of property, plant and equipment	<b>105</b>	665
Interest income	<b>2,052</b>	504
Others	<b>844</b>	812
	<b>26,606</b>	1,981

Notes:

- (a) In January 2003, the Group acquired 100% of the issued share capital of Jardine Logistics Holdings Limited and its subsidiaries which are engaged in freight forwarding businesses worldwide. Subsequent to the completion of the acquisition, certain issues were raised and claims had been filed against the vendor.

On 10th January 2006, the Group entered into a settlement deed with the vendor for HK\$26,500,000. The compensation was fully settled in cash on 10th January 2006 and credited in part to the income statement except for the portion relating to the compensation for certain specific future expenses which has been deferred and will be applied to offset those expenses as they are incurred.

- (b) On 10th August 2005, the Group disposed of its 50% interest in Korchina Logistics Holdings Limited (“Korchina Logistics”) and 35% interest in Korchina Freight Taiwan Limited to Korchina Holdings Limited, the other shareholder of Korchina Logistics. The aggregate consideration of US\$4,800,000 (approximately HK\$37,440,000) was settled in cash on 25th August 2005.



**6 OPERATING PROFIT**

Operating profit is stated after crediting and charging the following:

	<b>Six months ended</b>	
	<b>31st January</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<hr/>		
Crediting		
Write-back of provision for impairment of trade receivables	<b>3,096</b>	1,277
<hr/>		
Charging		
Amortisation charge		
Leasehold land and land use rights	<b>664</b>	664
Intangible assets	<b>214</b>	–
Depreciation charge		
Owned property, plant and equipment	<b>10,639</b>	8,704
Leased property, plant and equipment	<b>86</b>	346
Net exchange loss	–	690
Operating lease rental in respect of land and buildings	<b>22,072</b>	23,125
Provision for impairment of trade receivables	<b>1,981</b>	9,749
<hr/>		

**7 FINANCE COSTS**

	<b>Six months ended</b>	
	<b>31st January</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Interest on bank borrowings and overdrafts	<b>1,746</b>	1,216
Interest element of finance leases	<b>9</b>	47
<hr/>		
	<b>1,755</b>	1,263
<hr/>		

**8 INCOME TAX EXPENSES**

	<b>Six months ended</b>	
	<b>31st January</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Current income tax		
Hong Kong profits tax	<b>2,553</b>	2,577
Overseas taxation	<b>7,218</b>	6,306
Under provision in prior years	<b>238</b>	770
Deferred income tax	<b>(3)</b>	429
	<b>10,006</b>	10,082

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 Group's share of income tax expenses of jointly controlled entities and associates of HK\$36,000 (2005: HK\$365,000) and HK\$188,000 (2005: HK\$608,000) are included in the income statement as share of profits less losses of jointly controlled entities and associates respectively.

**9 DIVIDEND**

	<b>Six months ended</b>	
	<b>31st January</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interim, proposed, of HK3.7 cents (2005: HK3.3 cents) per share	<b>11,241</b>	9,950

Notes:

- (a) A final dividend and a special dividend of HK11.0 cents and HK2.0 cents per share respectively for the year ended 31st July 2005 were approved in the Annual General Meeting held on 21st December 2005.
- (b) At a meeting held on 21st April 2006, the directors declared an interim dividend of HK3.7 cents per share for the six months ended 31st January 2006. This proposed dividend is not reflected as a dividend payable in this Condensed Consolidated Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st July 2006.

**10 EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following:

	<b>Six months ended</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	<b>71,032</b>	47,256
Weighted average number of shares for the purpose of basic earnings per share (thousands)	<b>303,396</b>	301,501
Effect of dilutive potential shares in respect of share options deemed to be issued at no consideration (thousands)	<b>4,829</b>	1,354
Weighted average number of shares for the purpose of diluted earnings per share (thousands)	<b>308,225</b>	302,855

**11 CAPITAL EXPENDITURE**

	<b>Property, plant and equipment</b>	<b>Leasehold land and land use rights</b>	<b>Intangible assets</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book value at 31st July 2005, as previously reported	241,365	–	122,303	363,668
Reclassification	(68,445)	68,445	–	–
Reversal of revaluation surplus of land and buildings	(61,253)	–	–	(61,253)
Increase in depreciation charge	(13,347)	–	–	(13,347)
Increase in amortisation charge	–	(12,522)	–	(12,522)
Opening net book value at 31st July 2005, as restated	98,320	55,923	122,303	276,546
Exchange differences	55	–	–	55
Additions	9,297	–	–	9,297
Disposals	(79)	–	–	(79)
Depreciation/amortisation charge	(10,725)	(664)	(214)	(11,603)
Adjustment of goodwill in respect of acquisitions in prior years	–	–	101	101
<b>Closing net book value as at 31st January 2006</b>	<b>96,868</b>	<b>55,259</b>	<b>122,190</b>	<b>274,317</b>

**11 CAPITAL EXPENDITURE (Continued)**

	<b>Property, plant and equipment</b>	<b>Leasehold land and land use rights</b>	<b>Intangible assets</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book value at 31st July 2004, as previously reported	160,557	–	93,810	254,367
Reclassification	(68,432)	68,432	–	–
Reversal of revaluation surplus and deficit of land and buildings	11,587	–	–	11,587
Increase in depreciation charge	(12,180)	–	–	(12,180)
Increase in amortisation charge	–	(11,195)	–	(11,195)
Opening net book value at 31st July 2004, as restated	91,532	57,237	93,810	242,579
Exchange differences	1,242	–	–	1,242
Acquisitions of subsidiaries	500	–	–	500
Additions	15,869	–	–	15,869
Disposals	(1,051)	–	–	(1,051)
Depreciation/amortisation charge, as restated	(9,050)	(664)	–	(9,714)
Adjustment of goodwill in respect of acquisitions in prior years	–	–	120	120
Closing net book value as at 31st January 2005	99,042	56,573	93,930	249,545
Exchange differences	(755)	13	–	(742)
Acquisitions of subsidiaries	2,525	–	22,715	25,240
Additions	9,210	–	–	9,210
Disposals	(1,707)	–	–	(1,707)
Depreciation/amortisation charge, as restated	(9,995)	(663)	(178)	(10,836)
Adjustment of goodwill in respect of acquisitions in prior years	–	–	5,836	5,836
<b>Closing net book value as at 31st July 2005</b>	<b>98,320</b>	<b>55,923</b>	<b>122,303</b>	<b>276,546</b>

Note:

Buildings and leasehold land with net book values of HK\$102,471,000 (31st July 2005: HK\$103,718,000, as restated) have been pledged to banks to secure banking facilities granted to the Group (note 14(c)(ii)).

**12 TRADE AND OTHER RECEIVABLES**

	<b>At 31st January 2006 HK\$'000</b>	<b>At 31st July 2005 HK\$'000</b>
Trade receivables		
Jointly controlled entities	<b>2,861</b>	2,847
Associates	<b>37,644</b>	48,024
Related companies	–	1,314
Minority shareholders	<b>1,275</b>	218
Third parties	<b>508,944</b>	510,655
	<b>550,724</b>	563,058
Deposits, prepayments and other receivables		
Associates	<b>374</b>	374
Related companies	–	4,978
Third parties	<b>128,795</b>	107,068
	<b>129,169</b>	112,420
	<b>679,893</b>	675,478

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

The ageing analysis of trade receivables (net of provision) was as follows:

	<b>At 31st January 2006 HK\$'000</b>	<b>At 31st July 2005 HK\$'000</b>
30 days or below	<b>281,983</b>	298,471
31-60 days	<b>155,044</b>	149,898
61-90 days	<b>64,248</b>	58,269
Over 90 days	<b>49,449</b>	56,420
	<b>550,724</b>	563,058

## 12 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables, deposits, prepayments and other receivables from jointly controlled entities, associates, related companies and minority shareholders are unsecured and interest free, except for other receivables from certain associates of HK\$374,000 (31st July 2005: HK\$374,000) which bear interest ranging from 1.5% to 6% (31st July 2005: ranging from 1.5% to 6%) per annum. Trade receivables from related parties have credit terms similar to those of third party customers whereas the other balances have no fixed terms of repayment.

## 13 SHARE CAPITAL

	At 31st January 2006		At 31st July 2005	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Shares of HK\$0.10 each	500,000,000	50,000	500,000,000	50,000
Issued and fully paid:				
Shares of HK\$0.10 each				
At 1st August 2005/ 1st August 2004	302,200,500	30,220	301,500,500	30,150
Issue of shares upon exercise of share options	1,600,000	160	700,000	70
At 31st January 2006/ 31st July 2005	303,800,500	30,380	302,200,500	30,220

### 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.

On 17th August 2005, 2,200,000 and 800,000 share options of exercise price HK\$2.95 per share were granted to directors and employees of the Group respectively. These share options were exercisable from 17th August 2006 to 16th August 2010. The closing price immediately before the date on which these options were granted was HK\$2.95.

The options are exercisable as follows:

- (i) up to 25% thereof from the date of the first anniversary of the date of grant;
- (ii) up to 50% thereof from the date of the second anniversary of the date of grant;

**13 SHARE CAPITAL (Continued)**

(iii) up to 75% thereof from the date of the third anniversary of the date of grant; and

(iv) up to 100% thereof from the date of the fourth anniversary of the date of grant.

The movements of share options granted pursuant to the Company's Share Option Scheme during the period are as follows:

Date of grant	Exercise price per share	At				Vested percentages		
		1st August 2005	Granted	Exercised	Cancelled	At 31st January 2006	At 31st January 2006	At 31st July 2005
4th May 2004	HK\$2.045							
Directors		4,700,000	-	(800,000)	-	3,900,000	50%	25%
Employees		7,600,000	-	(800,000)	(1,200,000)	5,600,000	50%	25%
		<u>12,300,000</u>	<u>-</u>	<u>(1,600,000)</u>	<u>(1,200,000)</u>	<u>9,500,000</u>		
17th August 2005	HK\$2.95							
Directors		-	2,200,000	-	-	2,200,000	0%	N/A
Employees		-	800,000	-	-	800,000	0%	N/A
		<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>		
		<u>12,300,000</u>	<u>3,000,000</u>	<u>(1,600,000)</u>	<u>(1,200,000)</u>	<u>12,500,000</u>		

The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$3.25.

**14 BORROWINGS**

	<b>At</b>	At
	<b>31st January</b>	31st July
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Non-current:		
Deferred consideration payables	<b>4,348</b>	4,348
Amounts due to minority shareholders (note a)	<b>1,772</b>	1,862
Obligations under finance leases (note b)	<b>83</b>	95
Secured long-term bank borrowings		
wholly repayable within five years (note c)	<b>7,354</b>	9,352
	<hr/>	<hr/>
	<b>13,557</b>	15,657
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current:		
Short-term bank borrowings	<b>62,771</b>	71,626
Bank overdrafts	<b>12,479</b>	25,755
Deferred consideration payables	<b>6,851</b>	6,589
Obligations under finance leases (note b)	<b>87</b>	164
Current portion of long-term bank borrowings		
(note c)	<b>3,996</b>	3,996
	<hr/>	<hr/>
	<b>86,184</b>	108,130
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	<b>99,741</b>	123,787
	<hr/>	<hr/>

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



**14 BORROWINGS (Continued)**

(b) Minimum lease payments for finance leases:

	<b>At</b>	At
	<b>31st January</b>	31st July
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>94</b>	174
In the second year	<b>33</b>	32
In the third to fifth year	<b>57</b>	72
	<b>184</b>	278
Future finance charges	<b>(14)</b>	(19)
Present value of finance leases	<b>170</b>	259
Representing:		
Current:		
Within one year	<b>87</b>	164
Non-current:		
In the second year	<b>29</b>	27
In the third to fifth year	<b>54</b>	68
	<b>83</b>	95
	<b>170</b>	259

**14 BORROWINGS (Continued)**

(c) At 31st January 2006, the Group's long-term bank borrowings were repayable as follows:

	<b>At 31st January 2006 HK\$'000</b>	At 31st July 2005 HK\$'000
Current:		
Within one year	<b>3,996</b>	3,996
Non-current:		
In the second year	<b>3,996</b>	3,996
In the third to fifth year	<b>3,358</b>	5,356
	<b>7,354</b>	9,352
	<b>11,350</b>	13,348

The long-term bank borrowings were secured by the following:

- (i) Fixed deposits of HK\$15,688,000 (31st July 2005: HK\$11,256,000) of the Group.
- (ii) First legal charge on buildings and leasehold land in Hong Kong held by the Group (note 11).
- (iii) Corporate guarantee from the Company.
- (iv) A negative pledge by a subsidiary (The negative pledge requires that the subsidiary will not pledge its assets to other parties unless it obtains the approval from the bank).
- (v) Second mortgage on two properties owned by minority shareholders and personal guarantees provided by these minority shareholders.

**15 TRADE AND OTHER PAYABLES**

	<b>At</b>	At
	<b>31st January</b>	31st July
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Trade payables		
Jointly controlled entities	<b>168</b>	154
Associates	<b>1,961</b>	3,687
Related companies	<b>45</b>	125
Third parties	<b>179,181</b>	248,792
	<b>181,355</b>	252,758
Accrued charges and other payables	<b>285,162</b>	251,731
Other payable to a related company	<b>1,943</b>	1,943
	<b>468,460</b>	506,432

The ageing analysis of trade payables was as follows:

	<b>At</b>	At
	<b>31st January</b>	31st July
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
30 days or below	<b>89,161</b>	172,140
31-60 days	<b>24,426</b>	43,329
61-90 days	<b>28,049</b>	8,623
Over 90 days	<b>39,719</b>	28,666
	<b>181,355</b>	252,758

Trade and other payables to jointly controlled entities, associates and related companies are unsecured and interest free. Trade payables with related parties have similar terms to repayment as third party creditors whereas other payable has no fixed terms of repayment.

**16 COMMITMENTS****(a) Capital commitments**

	<b>At</b>	At
	<b>31st January</b>	31st July
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for		
Investments (note)	<b>49,396</b>	3,456
Property, plant and equipment	<b>576</b>	1,529
	<b>49,972</b>	4,985

Note: The Group's committed investments as at 31st January 2006 primarily included acquisition of the in additional 24% equity interest in BALtrans Logistics (China) Limited of approximately HK\$25,884,000 (31st July 2005: N/A) from its minority shareholder and investment in 52% equity interest in Clover Cargo Holdings (Proprietary) Limited of approximately HK\$23,178,000 (31st July 2005: N/A).

**(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:

	<b>At</b>	At
	<b>31st January</b>	31st July
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Not later than one year	<b>37,815</b>	35,938
Later than one year and not later than five years	<b>52,259</b>	36,932
Later than five years	<b>13,102</b>	14,345
	<b>103,176</b>	87,215

## 17 CONTINGENT LIABILITIES

- (a) In November 2001, the Group acquired 70% equity interest in BALtrans Logistics (Canada) Limited ("BALtrans Canada") at a consideration of C\$6,440,000, with further contingent consideration payable in 2007 and 2008 amounting to 50% of the net profit of BALtrans Canada exceeding C\$1,840,000 for each of the financial years ending 31st October 2006 and 31st October 2007.

Subsequent to 31st January 2006, the Group has agreed with the vendors to cancel the aforesaid contingent consideration payable in 2007 and 2008 in exchange for a new management commission entitling the vendors to a certain share in the net profit of BALtrans Canada, which will be paid out by BALtrans Canada. Hence, there will be no further contingent consideration outstanding for BALtrans Canada going forward.

- (b) In May 2004, the Group acquired 60% equity interest in Exhibitstrans Logistics Limited ("Exhibitstrans") at an initial consideration of HK\$4,010,000 with further contingent consideration payable in 2005, 2006 and 2007. The contingent consideration will be arrived at by multiplying an applicable percentage to each tier of gross profit achieved within those financial years, as summarised in the following table:

<b>Tiers of annual gross profit achieved during each financial year</b>	<b>Applicable percentage</b>
1. The first US\$200,000 gross profit achieved	0%
2. Gross profit between US\$200,001 and US\$600,000	45.8%
3. Gross profit in excess of US\$600,000	15%

The contingent consideration has been forecast to be HK\$6,839,000 (31st July 2005: HK\$6,839,000) based on the three year business plan provided by the vendors. This amount has been accrued and included as deferred consideration payable as at 31st January 2006.

The final contingent consideration will be calculated based on the agreed formula after the gross profit achieved for those financial years have been determined and any excess or shortfall to the accrued amount above will be adjusted accordingly.

**17 CONTINGENT LIABILITIES (Continued)****(c) Pending lawsuits**

- (i) During the year ended 31st July 2005, certain subsidiaries of the Company 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 to receive more than they would have received if such Transfers had not been made and these 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 directors consider that the exposure is likely to be significantly less than the full amount of the alleged Transfers and the provision made in previous year is adequate 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.
  
- (ii) As at 31st January 2006, the Group was subject to claims arising in the normal course of business. The directors are of the opinion that any final claims which may be required to be settled will be insignificant. Accordingly no provision has been made for these claims in the Condensed Consolidated Financial Statements.

## 18 RELATED PARTY TRANSACTIONS

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

### (a) Sales/(purchases) of services and assets

	Six months ended	
	31st January	
	2006	2005
	HK\$'000	HK\$'000
(i) With jointly controlled entities:		
Forwarding income received	2,255	29,542
Forwarding costs paid	(397)	(15,957)
(ii) With associates:		
Forwarding income received	102,904	66,963
Forwarding costs paid	(30,017)	(17,012)
(iii) With the related companies:		
Consideration received for the disposal of non-current assets held for sale (note 5(b))	37,440	–
Forwarding income received Related companies of Jardine Asian Holdings Inc. ("JAH"), a former substantial shareholder of the Company	2,942	4,820
Related companies of Mitsui & Co., Ltd. ("Mitsui"), an existing substantial shareholder of the Company	900	–
Other related companies	71	6,179
Forwarding costs paid Related companies of JAH	(1,127)	(170)
Related companies of Mitsui	(4)	–
Other related companies	–	(285)

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 RELATED PARTY TRANSACTIONS (Continued)****(b) Key management compensation**

	Six months ended	
	31st January	
	2006	2005
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	<b>8,051</b>	7,519
Termination benefits	<b>304</b>	196
Post-employment benefits	<b>302</b>	231
Share-based payments	<b>1,068</b>	1,132
	<b>9,725</b>	9,078

**19 EVENTS AFTER THE BALANCE SHEET DATE**

On 15th December 2005, the Group entered into an agreement to acquire an additional 24% of the share capital of BALtrans Logistics (China) Limited, a then 66% owned subsidiary as at 31st January 2006 principally engaged in the provision of freight forwarding services from the minority shareholder. The acquisition was completed on 14th March 2006.

Details of net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	
Cash	14,388
Shares of the Company	11,538
Total purchase consideration	25,926
Fair value of share of net assets acquired – as shown below	(12,265)
Goodwill	13,661



**19 EVENTS AFTER THE BALANCE SHEET DATE (Continued)**

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

	<b>Fair value</b>	<b>Acquiree's carrying amount</b>
	HK\$'000	HK\$'000
Property, plant and equipment	1,159	1,159
Other intangible assets	8,898	–
Trade and other receivables	18,475	18,475
Bank balances and cash	2,946	2,946
Trade and other payables	(19,213)	(19,213)
Net assets acquired	12,265	3,367