Symbol of Quality Logistics Services

BALtrans Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 562)

INTERIM RESULTS 2006

HIGHLIGHTS
(HK$ million)

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

- **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**

MANAGEMENT DISCUSSION & ANALYSIS

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 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.

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

(HK$ million)

	2006 (1st half)	2005 (1st half)	% change
Net profit	**71.0**	47.3	+50%
Discontinued operations *(note)*	**–**	(10.5)	N/A
Non-recurrent gain and write-backs	**(21.8)**	–	N/A
Recurrent net profit comparison	**49.2**	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 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 comparable 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 which set 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.

1.1 Markets

Turnover *(HK$ million)*	**Greater China**	**North America**	**Southeast Asia**	**EMEA**	**Total**
2006 (1st half)	**1,378**	**329**	**161**	**180**	**2,048**
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 increased profit contribution from the UK is more than offset by the start up losses in the Netherlands.

Overall, all geographical regions reported improvement in operating profit, apart from 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.

1.2 Services

1.2.1 Airfreight

Turnover *(HK$ million)*	**Greater China**	**North America**	**Southeast Asia**	**EMEA**	**Total**
2006 (1st half)	**857**	**212**	**83**	**70**	**1,222**
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**
2006 (1st half)	**398**	**111**	**62**	**105**	**676**
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.

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.

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.

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 13 below.

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.

INTERIM RESULTS

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).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January 2006

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January 2006

	Note	Unaudited At 31st January 2006 HK$'000	At 31st July 2005 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**96,868**	98,320
Leasehold land and land use rights		**55,259**	55,923
Intangible assets		**122,190**	122,303
Jointly controlled entities		**5,510**	3,461
Associates		**7,069**	31,143
Deferred income tax assets		**8,267**	9,106
		295,163	320,256
Current assets			
Trade and other receivables	*11*	**679,893**	675,478
Other financial assets at fair value through profit or loss		**4,209**	–
Other investments		**–**	1,565
Income tax recoverable		**937**	891
Pledged bank deposits		**15,688**	11,256
Bank balances and cash		**230,011**	236,622
		930,738	925,812
Total assets		**1,225,901**	1,246,068
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**30,380**	30,220
Reserves			
Retained profits		**321,173**	261,384
Other reserves		**247,140**	242,330
Proposed dividends		**11,241**	39,286
		609,934	573,220
Minority interests		**24,015**	21,999
Total equity		**633,949**	595,219

	Note	Unaudited At 31st January 2006 HK$'000	At 31st July 2005 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings		**13,557**	15,657
Retirement liabilities		**1,380**	2,320
Deferred income tax liabilities		**1,074**	1,938
		16,011	19,915
Current liabilities			
Trade and other payables	12	**468,460**	506,432
Borrowings		**86,184**	108,130
Current income tax liabilities		**21,297**	16,372
		575,941	630,934
Total liabilities		**591,952**	650,849
Total equity and liabilities		**1,225,901**	1,246,068
Net current assets		**354,797**	294,878
Total assets less current liabilities		**649,960**	615,134

Notes:

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 Summary of effects on adopting the new HKFRSs

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:

Increase/(decrease) in profit for the period

		Effect on adopting				
		HKAS 1	**HKAS 16**	**HKAS 17**	**HKFRS 2**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(a)	**Condensed consolidated income statement**					
	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
	Profit for the period	–	784	(664)	(1,672)	(1,552)
	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)
	Six months ended 31st January 2006					
	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**
	Profit for the period	**–**	**1,704**	**(664)**	**(1,203)**	**(163)**
	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)**

Increase/(decrease) in net assets

				Effect on adopting			
		HKAS 16	**HKAS 17**	**HKASs 32 and 39**	**HKFRS 2**	**HKFRS 5**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(b)	**Condensed consolidated balance sheet**						
	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
	Net assets	4,361	(11,195)	–	–	–	(6,834)
	Retained profits	27,717	(11,195)	–	(1,026)	–	15,496
	Other reserves	(23,356)	–	–	1,026	–	(22,330)
	Equity	4,361	(11,195)	–	–	–	(6,834)
	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
	Net assets	(60,725)	(12,522)	–	–	–	(73,247)
	Retained profits	4,682	(12,522)	–	(4,370)	–	(12,210)
	Other reserves	(65,407)	–	–	4,370	–	(61,037)
	Equity	(60,725)	(12,522)	–	–	–	(73,247)
	At 31st January 2006						
	Property, plant and equipment	**(72,896)**	**(68,445)**	**–**	**–**	**–**	**(141,341)**
	Leasehold land and land use rights	**–**	**55,259**	**–**	**–**	**–**	**55,259**
	Other financial assets at fair value through profit or loss	**–**	**–**	**4,209**	**–**	**–**	**4,209**
	Other investments	**–**	**–**	**(4,209)**	**–**	**–**	**(4,209)**
	Deferred income tax liabilities	**13,875**	**–**	**–**	**–**	**–**	**13,875**
	Net assets	**(59,021)**	**(13,186)**	**–**	**–**	**–**	**(72,207)**
	Retained profits	**6,386**	**(13,186)**	**–**	**(5,573)**	**–**	**(12,373)**
	Other reserves	**(65,407)**	**–**	**–**	**5,573**	**–**	**(59,834)**
	Equity	**(59,021)**	**(13,186)**	**–**	**–**	**–**	**(72,207)**

4 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 and third party logistics (representing trucking and warehousing services).

(a) Primary reporting format – geographical segments

	Six months ended 31st January 2006					
	Greater China *HK$'000*	North America *HK$'000*	Southeast Asia *HK$'000*	EMEA *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
Turnover						
External	1,377,624	329,515	161,303	179,609	–	2,048,051
Inter-segment	226,298	47,680	20,451	28,981	(323,410)	–
Total	1,603,922	377,195	181,754	208,590	(323,410)	2,048,051
Segment results	56,118	23,349	7,053	(507)	–	86,013
Finance costs	(1,310)	(329)	(50)	(66)	–	(1,755)
Share of profits less losses of						
Jointly controlled entities	169	–	–	–	–	169
Associates	594	88	362	1,057	–	2,101
Profit before income tax						86,528
Income tax expenses						(10,006)
Profit for the period						76,522
Capital expenditure for property, plant and equipment	5,864	230	1,037	2,166	–	9,297
Depreciation charge	8,072	390	1,452	811	–	10,725
Amortisation charge	878	–	–	–	–	878
Provision for impairment of trade receivables	1,079	211	221	470	–	1,981
	At 31st January 2006					
Segment assets	854,907	158,172	93,081	97,958	–	1,204,118
Jointly controlled entities	5,510	–	–	–	–	5,510
Associates	4,140	436	3,684	(1,191)	–	7,069
Unallocated assets						9,204
Total assets						1,225,901
Segment liabilities	419,880	41,803	34,084	73,814	–	569,581
Unallocated liabilities						22,371
Total liabilities						591,952

	Greater China HK$'000	North America HK$'000	Southeast Asia HK$'000	EMEA HK$'000	Elimination HK$'000	Group HK$'000
	Six months ended 31st January 2005 (Restated)					
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)	–
Total	1,384,399	428,782	166,085	174,383	(311,690)	1,841,959
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
Profit before income tax						62,857
Income tax expenses						(10,082)
Profit for the period						52,775
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
Total assets						1,246,068
Segment liabilities	482,714	33,788	35,150	80,887	–	632,539
Unallocated liabilities						18,310
Total liabilities						650,849

(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**
	2,048,051	**86,013**	**9,297**	**972,946**
Jointly controlled entities	**–**	**–**	**–**	**5,510**
Associates	**–**	**–**	**–**	**7,069**
Unallocated#	**–**	**–**	**–**	**240,376**
Total	**2,048,051**	**86,013**	**9,297**	**1,225,901**

	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
Total	1,841,959	62,831	15,869	1,246,068

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

	Six months ended 31st January	
	2006	2005
	HK$'000	*HK$'000*
Compensation on claims *(note a)*	**10,443**	–
Net exchange gain	**1,601**	–
Gain on disposal of non-current assets held for sale *(note b)*	**11,409**	–
Gain on partial disposal of an associate	**122**	–
Gain on dissolution of subsidiaries	**30**	–
Gain on disposal of property, plant and equipment	**105**	665
Interest income	**2,052**	504
Others	**844**	812
	26,606	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 and 35% interest in Korchina Freight Taiwan Limited to Korchina Holdings Limited. 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:

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

7 Finance costs

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

8 Income tax expenses

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

	Six months ended 31st January 2006 HK$'000	2005 HK$'000
Interim, proposed, of HK3.7 cents (2005: HK3.3 cents) per share	**11,241**	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:

	Six months ended 31st January	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**71,032**	47,256
Weighted average number of shares for the purpose of basic earnings per share (thousands)	**303,396**	301,501
Effect of dilutive potential shares in respect of share options deemed to be issued at no consideration (thousands)	**4,829**	1,354
Weighted average number of shares for the purpose of diluted earnings per share (thousands)	**308,225**	302,855

11 Trade receivables

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:

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

12 Trade payables

The ageing analysis of trade payables was as follows:

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

13 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:

Tiers of annual gross profit achieved during each financial year		**Applicable percentage**
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.

(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 exposure is likely to be significantly less than the full amount of the alleged Transfers and the provision made in prior 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.

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.

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.

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.

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.

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 interim financial statements for the six months ended at 31st January 2006 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.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The 2006 Interim Report will be despatched to shareholders as well as made available on The Stock Exchange of Hong Kong Limited's website.

On behalf of the Board
Anthony Siu Wing LAU
Chairman and Chief Executive

Hong Kong, 21st April 2006

As at the date of this announcement, the Board of the Company comprises executive directors: Mr. Lau Siu Wing Anthony and Mr. Ng Hooi Chong; non-executive directors: Mr. Wai Chung Hung David, Mr. William Hugh Purton Bird, Mr. Christopher John David Clarke and Mr. Naruyuki Sado; and independent non-executive directors: Mr. Yu Hon To David, Ms. Lau Kin Yee Miriam and Mr. Ng Cheung Shing.

"Please also refer to the published version of this announcement in the South China Morning Post"