

NOTES TO THE ACCOUNTS

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings, and in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants (the "HKSA").

As a result of the adoption of SSAP 2.101 "Presentation of Financial Statements" and SSAP 2.102 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" issued by the HKSA, certain comparative figures have been reclassified or extended to conform with the current year's presentation. The adoption of SSAP 2.101 and SSAP 2.102 has no effect on the profit attributable to shareholders and shareholder's funds of the Group and the Company.

(b) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances within the Group are eliminated on consolidation.
- (ii) The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal. The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the profit and loss account.
- (iii) Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(iv) Goodwill arising on consolidation represents the excess of the cost of investment over the fair value of the net assets of subsidiaries, jointly controlled entities and associated companies acquired and is taken directly to reserves.

(c) Subsidiaries

Subsidiaries are companies in which the Company, directly or indirectly, controls more than half of their voting power or issued share capital or controls the composition of their board of directors. Investments in subsidiaries are stated in the Company's balance sheet at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company to the extent of dividend income.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

(e) Associated companies

Associated companies are those other than subsidiaries, in which the Group has long term equity interests and has the ability to exercise significant influence in their management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(f) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings held in Hong Kong are stated at valuation, being fair value at the date of revaluation, less subsequent accumulated depreciation or amortisation. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use.

The directors review regularly the fair value of leasehold land and buildings held in Hong Kong on an individual basis. If it is considered appropriate, independent professional valuations are obtained. If the fair value is in excess of the carrying amount of the relevant asset, the surplus is credited to the revaluation reserve to the extent that it is not covered by deficits arising on prior valuations of that asset which have been previously charged to the profit and loss account. If the fair value is less than the carrying amount of the relevant asset, the deficit is charged to the profit and loss account to the extent that it is not covered by surpluses arising on prior valuations of that asset which have been previously credited to the revaluation reserve.

Leasehold land and buildings held outside Hong Kong are stated at cost.

Amortisation of leasehold lands is calculated to write off their cost/valuation over the unexpired period of the leases which range from 20 to 50 years.

Depreciation of leasehold buildings is calculated to write off their cost/valuation over the unexpired period of the leases or their expected useful lives to the Group whichever is shorter. The principal annual rates used for this purpose are 2% to 5%.

(ii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation of other fixed assets is calculated to write off their cost on the

straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Leasehold improvements	20 - 35%
Office furniture and equipment	20%
Motor vehicles	20 - 25%
Computer system	20 - 50%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iii) Impairment of fixed assets

The carrying amounts of fixed assets stated at cost are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amounts.

(iv) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(g) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(h) Other investments

The Group's interest in companies other than subsidiaries, jointly controlled entities and associated companies are shown as other investments and are stated at cost less any provision made to the extent that the directors consider significant diminution in value has taken place.

(i) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

(j) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

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

(l) Revenue

- (i) Revenue from the rendering of freight forwarding services is recognised when the risk of the transaction is substantially transferred, which generally coincides with the date of departure for outward freight and the date of arrival for inward freight.
- (ii) Revenues from the provision of trucking, warehousing, household and exhibition removal services are recognised when the services are rendered.
- (iii) Revenue from the provision of management services is recognised when the services are rendered.
- (iv) Dividend income is recognised when the right to receive payment is established.
- (v) Interest income and revenue from the letting of property are recognised on a time proportion basis.

(m) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

2 Turnover, revenues and segment information

The Group is principally engaged in the provision of freight forwarding services. Revenues recognised during the year are as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover		
Revenue from rendering freight forwarding services		
Air freight	1,189,099	1,039,581
Sea freight	204,396	206,890
Household and exhibition removal services	70,017	64,713
Trucking and warehousing services	29,006	23,329
Gross rental income from investment properties	-	3,511
Gross rental income from land and buildings	45	4
	1,492,563	1,338,028
Other revenues		
Management fee	5,258	4,394
Interest income	5,490	3,015
Dividend income from unlisted investments	100	103
	10,848	7,512
Total revenues	1,503,411	1,345,540

An analysis of the Group's turnover and contribution to operating profit/(loss) for the year by principal activities and geographical location of operations is as follows:

	Turnover		Operating profit/(loss)	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Principal activities:				
Air freight	1,189,099	1,039,581	64,935	37,776

Sea freight	204,396	206,890	5,779	3,218
Household and exhibition removal services	70,017	64,713	2,705	3,144
Trucking and warehousing services	29,006	23,329	1,027	103
Property letting	45	3,515	(89)	2,012
Deficit arising on revaluation of leasehold land and buildings	-	-	(9,532)	(18,420)
	1,492,563	1,338,028	64,825	27,833

Geographical location of operations:

Hong Kong	942,926	912,758		
United States of America	430,106	348,558		
Singapore	63,419	42,366		
Malaysia	38,842	28,616		
Mainland China	17,179	4,464		
Others	91	1,266		
	1,492,563	1,338,028		

The analysis of turnover by geographical location of operations is based on the following criteria:

- (i) Revenues from the rendering of freight forwarding services are attributed to the origin of invoicing.
- (ii) Other operating revenues are attributed on the basis of where the services are performed.

No analysis of contribution to operating profit by geographical location has

been prepared as no contribution to profit and loss from any of the above geographical locations is substantially out of line with the normal ratio of profit or loss to turnover.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Crediting		
Net exchange gains	729	-
Charging		
Provision for diminution in value of other investments	-	1,942
Auditors' remuneration		
-Current year	1,131	755
-Under provision in prior year	111	-
Depreciation of owned fixed assets	7,321	8,787
Depreciation of leased assets	345	206
Staff costs	85,277	77,891
Retirement benefit cost	3,173	3,749
Operating leases rental in respect of land and buildings	17,498	17,881
Outgoings in respect of investment properties	-	160
Provision for doubtful debts	4,910	9,465
Loss on disposal of fixed assets	96	243
Net exchange losses	-	999

4 Finance costs

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interest on bank loan and overdrafts	226	397
Interest element of finance leases		

and hire purchase contracts	92	102
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	318	499
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5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax	1,186	930
Overseas taxation	1,787	153
Deferred taxation (note 20)	(657)	630
	2,316	1,713
Share of taxation attributable to:		
Jointly controlled entities	6	-
Associated companies	1,714	1,850
	4,036	3,563

Deferred taxation for the year has not been provided in respect of the following:

	2000 HK\$'000	1999 HK\$'000
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Accelerated depreciation allowances	(151)	56
Other timing differences	180	449
Tax losses	(4,035)	6,027
	(4,006)	6,532

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$28,418,000 (1999: HK\$19,636,000).

7 Dividends

	2000 HK\$'000	1999 HK\$'000
Interim, paid, of HK2.5 cents (1999: HK2.2 cents) per ordinary share	5,961	5,223
Final, proposed, of HK10.0 cents (1999: HK6.8 cents) per ordinary share	23,865	16,143
	29,826	21,366

8 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$65,948,000 (1999: HK\$34,663,000).

The basic earnings per share is calculated based on the weighted average of 238,175,400 (1999: 237,400,400) ordinary shares in issue during the year. The diluted earnings per share is calculated based on 238,999,747 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 824,347 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised. The diluted earnings per share for the year ended 31st July 1999 is not applicable as the exercise of the options would result in an increase in the basic earnings per

share.

9 DIRECTORS' and senior management'S emoluments

(a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees	60	50
Basic salaries, housing allowance, other allowances and benefits in kind	8,206	4,785
Contributions to pension schemes for directors	35	47
	8,301	4,882

Directors' fees represent the amount paid to independent non-executive directors.

During the year, no share options were granted to or exercised by the directors of the Company.

(b) The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2000	1999
HK\$Nil -HK\$1,000,000	3	4
HK\$1,000,001 -HK\$1,500,000	-	-
HK\$1,500,001 -HK\$2,000,000	1	2
HK\$2,000,001 -HK\$2,500,000	1	-
HK\$2,500,001 -HK\$3,000,000	-	-
HK\$3,000,001 -HK\$3,500,000	-	-
HK\$3,500,001 -HK\$4,000,000	-	-
HK\$4,000,001 -HK\$4,500,000	1	-

No directors waived or agreed to waive their emoluments in respect of the years

ended 31st July 1999 and 2000.

(c) The five individuals whose emoluments were the highest in the Group for the year include three (1999: Nil) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (1999: five) individuals during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Basic salaries, allowances and other benefits in kind	2,240	8,000
Pension contributions	104	248
Performance bonuses	3,048	12,722
	5,392	20,970

Their emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2000	1999
HK\$1,500,001 -HK\$2,000,000	-	-
HK\$2,000,001 -HK\$2,500,000	-	1
HK\$2,500,001 -HK\$3,000,000	2	-
HK\$3,000,001 -HK\$3,500,000	-	1
HK\$4,000,001 -HK\$4,500,000	-	1
HK\$5,000,001 -HK\$5,500,000	-	-
HK\$5,500,001 -HK\$6,000,000	-	2

10 Fixed assets

(a) Group

Leasehold land and buildings	Leasehold land and buildings	Office furniture
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	in Hong Kong HK\$'000	outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	and equipment HK\$'000	Motor vehicles HK\$'000	Computer system HK\$'000	Total HK\$'000
Cost or valuation							
At 1st August 1999	82,200	8,939	9,901	18,582	6,557	11,420	137,599
Additions	-	-	625	2,422	1,202	1,037	5,286
Disposals	-	-	(5,646)	(5,971)	(1,502)	(4,885)	(18,004)
Exchange adjustment	-	-	(20)	(47)	(62)	(63)	(192)
Adjustment on revaluation	(11,300)	-	-	-	-	-	(11,300)
At 31st July 2000	70,900	8,939	4,860	14,986	6,195	7,509	113,389
Accumulated depreciation							
At 1st August 1999	-	975	7,766	11,411	4,229	8,171	32,552
Charge for the year	1,768	261	875	2,467	781	1,514	7,666
Disposals	-	-	(5,618)	(5,021)	(1,238)	(4,716)	(16,593)
Exchange adjustment	-	-	(8)	(42)	(27)	(46)	(123)
Adjustment on revaluation	(1,768)	-	-	-	-	-	(1,768)
At 31st July 2000	-	1,236	3,015	8,815	3,745	4,923	21,734
Net book value							
At 31st July 2000	70,900	7,703	1,845	6,171	2,450	2,586	91,655
At 31st July 1999	82,200	7,964	2,135	7,171	2,328	3,249	105,047

The analysis of the cost or valuation at 31st July 2000 of the above assets is as follows:

At cost	-	8,939	4,860	14,986	6,195	7,509	42,489
2000 directors' valuation	70,900	-	-	-	-	-	70,900

70,900	8,939	4,860	14,986	6,195	7,509	113,389
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(b) Company

	Office equipment HK\$'000	Computer system HK\$'000	Total HK\$'000
Cost			
At 1st August 1999 and 31st July 2000	8	21	29
Accumulated depreciation			
At 1st August 1999	8	8	16
Charge for the year	-	5	5
At 31st July 2000	8	13	21
Net book value			
At 31st July 2000	-	8	8
At 31st July 1999	-	13	13

- (i) On 24th May 2000, the Group entered into a sale and purchase agreement with a third party to dispose of a leasehold land and building in Hong Kong with a net book value of HK\$15,167,000 at a consideration of HK\$13,300,000. The completion date of this transaction will be on 8th January 2001.

With reference to this transaction, the directors revalued all the leasehold land and buildings in Hong Kong held by the Group, which are located in the same building, at 31st July 2000. Deficit arising on revaluation of leasehold land and buildings in Hong Kong amounted to HK\$9,532,000 was charged to the profit and loss account.

(ii) The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	2000 <i>HK\$ '000</i>	1999 <i>HK\$ '000</i>
In Hong Kong, held on:		
Leases of between 10 to 50 years	70,900	82,200
Outside Hong Kong, held on:		
Leases of over 50 years	1,140	1,159
Leases of between 10 to 50 years	4,547	4,650
Leases of less than 10 years	2,016	2,155
	78,603	90,164

(iii) The carrying amount of leasehold land and buildings in Hong Kong would have been HK\$93,094,000 (1999: HK\$95,227,000) had they been stated at cost less accumulated depreciation.

(iv) Leasehold land and buildings in Hong Kong have been pledged to banks to secure general banking facilities granted to the Group (note 23).

(v) At 31st July 2000, net book value of fixed assets held by the Group under finance leases and hire purchase contracts amounted to HK\$1,015,000 (1999: HK\$1,077,000).

11 Investments in subsidiaries

	Company	
	2000 <i>HK\$ '000</i>	1999 <i>HK\$ '000</i>
Unlisted shares, at cost	46,896	46,896
Amount due from a subsidiary	35,570	35,570
	82,466	82,466

The amount due from a subsidiary is unsecured, interest-free and not repayable within the next twelve months.

Details of principal subsidiaries are set out in note 27 to the accounts.

12 Investments in jointly controlled entities

	Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted investments		
Share of net assets	6,006	6,630

Details of principal jointly controlled entities are set out in note 28 to the accounts.

13 Investments in associated companies

	Group	
	2000 HK\$'000	1999 HK\$'000
Unlisted investments		
Share of net assets other than goodwill	32,727	25,389
Investments at cost	13,343	7,293

(a) Information on a significant associated company

Extracts of the management accounts of Wilson Freight (Far East) Limited in which the Group has a 49.5% (1999: 49.5%) interest are as follows:

Profit and loss account for the year ended 31st July 2000

	2000 HK\$'000	1999 HK\$'000
Turnover	277,805	216,492
Operating profit before taxation	28,032	29,294
-after depreciation charges on fixed assets of HK\$1,486,000 (1999: HK\$1,120,728)		
Taxation	(1,844)	(2,542)
Profit for the year	26,188	26,752
Dividends	27,000	10,000

Balance sheet as at 31st July 2000

	2000 HK\$'000	1999 HK\$'000
Fixed assets	6,927	2,186
Current assets	78,159	69,322
Current liabilities	(46,966)	(32,636)
	38,120	38,872
Long-term liabilities	(224)	(166)
	37,896	38,706
Financed by:		
Share capital	1,000	1,000
Reserves	36,896	37,706
Shareholders' funds	37,896	38,706

(b) Details of principal associated companies are set out in note 29 to the accounts.

14 Trade and other receivables

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Due from:				
Subsidiaries	-	-	50,792	52,571
Jointly controlled entities (note a)	3,910	1,569	-	-
Associated companies (note a)	14,621	8,372	-	-
Related companies (note a)	428	1,314	-	-
Minority shareholders (note a)	1,230	-	-	-
Trade receivables (note a)	174,628	174,640	-	-

Deposits and prepayments	24,271	20,769	196	163
	219,088	206,664	50,988	52,734

(a) The majority of the Group's turnover is on open account terms.

At 31st July 2000, the ageing analysis of trade receivables including amounts due from jointly controlled entities, associated companies, related companies and minority shareholders was as follows:

	Group	
	2000	1999
	HK\$ '000	HK\$ '000
Below 30 days	101,032	94,806
30 -60 days	49,165	51,921
60 -90 days	17,105	12,700
Over 90 days	27,515	26,468
	194,817	185,895

15 Other investments

	Group	
	2000	1999
	HK\$ '000	HK\$ '000
Unlisted investments, at cost	1,942	1,942
Provision for diminution in value	(1,942)	(1,942)
-	-	-

16 Trade and other payables

	Group		Company	
	2000 HK\$ '000	1999 HK\$ '000	2000 HK\$ '000	1999 HK\$ '000
Due to:				
Jointly controlled entities (note a)	4,392	4,622	-	-
Associated companies (note a)	509	45	-	-
Minority shareholders (note 18(c))	6,381	-	-	-
Trade payables (note a)	93,021	107,482	-	-
Accrued charges and other payables	76,658	52,737	498	386
	180,961	164,886	498	386

(a) At 31st July 2000, the ageing analysis of the trade payables including amounts due to jointly controlled entities and associated companies was as follows:

	Group	
	2000 HK\$ '000	1999 HK\$ '000
Below 30 days	73,918	74,059
30 -60 days	12,261	18,523
60 -90days	4,077	2,689
Over 90 days	7,666	16,878
	97,922	112,149

17 Share capital

	No. of shares	HK\$ '000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31st July 1998, 1999 and 2000	500,000,000	50,000

Issued and fully paid:

Ordinary shares of HK\$0.10 each

At 31st July 1998 and 1999	237,400,400	23,740
Exercise of options	1,250,000	125

At 31st July 2000	238,650,400	23,865
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The movement of share options granted pursuant to the share option scheme during the year was as follows:

Date of grant	Sub- scription price per share HK\$ 2000	Options outstanding Exercisable at 1st August during period	Options exercised at 31st July 1999	Options outstanding the year
13th March 1997	0.8336	1st July 1998 to 12th March 2003	1,950,000	(1,250,000)
13th March 1997	0.8336	1st January 2001 to 12th March 2003	1,950,000	-
	700,000			
	1,950,000			
		3,900,000	(1,250,000)	2,650,000

18 Reserves

Group		Company	
2000	1999	2000	1999
HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000

Share premium account

Balance brought forward	82,112	82,112	82,112	82,112
Premium on issue of shares	917	-	917	-
Balance carried forward	83,029	82,112	83,029	82,112
Contributed surplus account				
Balance brought forward and carried forward	-	-	31,896	31,896
Investment properties revaluation reserve				
Balance brought forward	-	997	-	-
Transferred to other properties revaluation reserve	-	(997)	-	-
Balance carried forward	-	-	-	-
Other properties revaluation reserve				
Balance brought forward	-	4,796	-	-
Deficit arising on revaluation	-	(5,704)	-	-
Transferred from investment properties revaluation reserve	-	997	-	-
Transferred to retained profits	-	(111)	-	-
Amount attributable to minority shareholders	-	22	-	-
Balance carried forward	-	-	-	-
Exchange fluctuation reserve				
Balance brought forward	(433)	(611)	-	-
Exchange differences on translation of accounts of				

overseas subsidiaries, jointly controlled entities and associated companies	(156)	178	-	-
Balance carried forward	(589)	(433)	-	-
Retained profits				
Balance brought forward	128,859	119,904	1,749	3,479
Goodwill taken to reserves (note c)	(8,670)	(5,453)	-	-
Share of goodwill taken to reserves attributable to minority shareholders	2,080	1,000	-	-
Profit for the year	65,948	34,663	28,418	19,636
Dividends (note 7)	(29,826)	(21,366)	(29,826)	(21,366)
Transferred from other properties revaluation reserve	-	111	-	-
Balance carried forward	158,391	128,859	341	1,749
	240,831	210,538	115,266	115,757

- (a) The contributed surplus of the Company represents the difference between the capitalization amount of the Company's shares issued in exchange for the issued ordinary shares of BALtrans International (BVI) Limited and the value of net assets of the underlying subsidiaries acquired as at 6th April 1992. Under the Companies Act 1981 of Bermuda (as amended) the contributed surplus is distributable to the shareholders subject to a solvency test. At the group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (b) Included in the Group's retained profits are accumulated losses of HK\$1,933,000 (1999: HK\$1,309,000) and retained profits of HK\$25,011,000 (1999: HK\$22,056,000) attributable to jointly controlled entities and associated companies respectively.
- (c) Included in the amount of goodwill taken to reserves for the year is an amount of HK\$6,381,000, which represents further consideration relating to the acquisition of business by Fondair Express (HK) Limited in 1996, payable to the vendor which is now the minority interest of the Group. The amount of further consideration is contingent to the amount by which the aggregate net profits for the four financial years ended 31st July 2000 exceeds HK\$45,000,000.

19 Long-term liabilities

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to minority shareholders	11,382	12,582
Obligations under finance leases and hire purchase contracts	909	446
	12,291	13,028
Current portion of long-term liabilities	(424)	(336)
	11,867	12,692

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

At 31st July 2000, the Group's obligations under finance leases and hire purchase contracts were repayable as follows:

	2000 <i>HK\$ '000</i>	1999 <i>HK\$ '000</i>
Within one year	424	336
in the second year	485	110
	909	446

20 Deferred taxation

	Group	
	2000 <i>HK\$ '000</i>	1999 <i>HK\$ '000</i>
At the beginning of the year	1,409	531
Transferred (to)/from profit and loss account (note 5)	(657)	630
Acquisition of subsidiaries	-	248
Translation adjustments	(10)	-
At the end of the year	742	1,409
Provided for in respect of:		
Accelerated depreciation allowances	742	1,409

The potential deferred tax assets/(liabilities) not accounted for in the accounts amounts to:

Accelerated depreciation allowances	(191)	(40)
Other timing differences	1,345	1,165

Tax losses	6,925	10,960
	8,079	12,085

21 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Operating profit	64,825	27,833
Deficit arising on revaluation of land and buildings	9,532	18,420
Provision for diminution in value of jointly controlled entities	-	214
Interest income	(5,490)	(3,015)
Depreciation of owned fixed assets	7,321	8,787
Depreciation of leased assets	345	206
Gain on disposal of subsidiaries	-	(631)
Loss on disposal of associated companies	-	90
Loss on disposal of fixed assets	96	243
Increase in trade receivables, deposits and prepayments including amounts due from jointly controlled entities, associated and related companies and minority shareholders	(12,424)	(12,967)
Increase in trade payables, accrued charges and other payables, including amounts due to jointly controlled entities and associated companies	9,694	27,663
Net cash inflow from operating activities	73,899	66,843

(b) Analysis of changes in financing during the year

Share capital	Loans and obligations under finance leases and hire
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	including premium		Minority interests		purchase contracts	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	105,852	105,852	7,127	5,496	13,028	17,486
Repayment of bank loans	-	-	-	-	-	(3,500)
Repayment of amounts due to minority shareholders	-	-	-	-	(1,200)	(900)
Payment of capital element of finance leases and hire purchase contracts	-	-	-	-	(547)	(500)
Exercise of share options	1,042	-	-	-	-	-
Acquisition of additional equity interest of subsidiaries	-	-	(149)	(1,684)	-	-
Capital contribution by minority shareholders	-	-	100	-	-	-
Disposal of subsidiaries	-	-	-	(11)	-	-
Minority interests' share of profit	-	-	13,017	6,528	-	-
Minority interests' share of revaluation deficit	-	-	-	(22)	-	-
Dividends received by minority shareholders	-	-	(1,112)	(2,180)	-	-
Inception of finance leases and hire purchase contracts	-	-	-	-	1,010	442
Share of goodwill taken to reserves attributable to minority shareholders	-	-	(2,080)	(1,000)	-	-
At the end of the year	106,894	105,852	16,903	7,127	12,291	13,028

(c) Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$1,010,000 (1999: HK\$442,000).

22 Commitments

(a) Capital commitments

At 31st July 2000, the Group had capital commitments in respect of the following:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Contracted but not provided for		
Capital contribution to a jointly controlled entity	1,170	-
Authorised but not contracted for		
Investment in a subsidiary and an associated company	-	1,628
	1,170	1,628

(b) Operating lease commitments

At 31st July 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year	8,855	1,950
In second to fifth year inclusive	3,576	12,156
	12,431	14,106

23 Banking facilities

At 31st July 2000, the Group had available banking facilities totalling HK\$67,908,000 (1999: HK\$63,293,000) secured by the following:

- (i) fixed deposits of HK\$2,500,000 of the Group;
- (ii) first legal charges on the leasehold land and buildings in Hong Kong held by the Group;
- (iii) corporate guarantees from the Company; and
- (iv) a negative pledge by a subsidiary.

At 31st July 2000, the above banking facilities were utilised to the extent of HK\$24,437,000 (1999: HK\$23,085,000) by the Group.

24 Contingent liabilities

At 31st July 2000, the Group had contingent liabilities in respect of counter indemnities for bank guarantees totalling approximately HK\$16.1 million (1999: HK\$12.1 million) given to third parties. In addition, the Group has provided guarantees to banks in respect of banking facilities granted to associated companies and third parties amounting to HK\$8.0 million (1999: HK\$2.8 million) and HK\$Nil (1999: HK\$4.6 million) respectively. At 31st July 2000, the banking facilities guaranteed by the Group to the associated companies and third party had been utilised to the extent of HK\$6.0 million (1999: HK\$1.7 million) and HK\$Nil (1999: HK\$0.7 million) respectively.

25 Related party transactions

During the year, the Group had material related party transactions, which were carried out in the normal course of the Group business, with related parties.

	Note	Group	
		2000	1999
		<i>HK\$ '000</i>	<i>HK\$ '000</i>
Jointly controlled entities			
Forwarding income received	<i>(a)</i>	5,782	630
Forwarding costs paid	<i>(a)</i>	8,497	1,806

Associated companies

Forwarding income received	(a)	71,157	66,667
Forwarding costs paid	(a)	12,166	7,603
Management fee received	(b)	5,258	4,394
Warehousing income received	(b)	4,804	4,539

(a) These transactions were conducted in the normal course of business at normal commercial terms with other third parties.

(b) Management fee income and warehousing income were mainly from Wilson Freight (Far East) Limited and were charged at agreed rates.

26 Subsequent event

On 30th October 2000, the Company, through its wholly owned subsidiary, Baltrans International (BVI) Limited, entered into a conditional sale and purchase agreement (the "agreement") with Mr. Ernie So Chak Chiu and Mr. Francis So Chak Fai, both directors of Fondair Express (HK) Limited ("Fondair"), to acquire 20% equity interest in Fondair for a cash consideration of approximately HK\$19,000,000. Goodwill arising from this acquisition is approximately HK\$18,000,000.

The agreement contains terms by which the consideration for the acquisition may be adjusted. This acquisition is subject to approval of the independent shareholders at a special general meeting. Upon completion of this acquisition, the effective interest of Fondair held by the Group will increase from 67.4% to 87.4%.

27 Principal subsidiaries

Details of the principal subsidiaries of the Company at 31st July 2000 are as follows:

Name	Incorporation	Place of Principal activities	share capital	Particulars of	Interest held
				issued ordinary 2000	1999

(a) Shares held directly:

BALtrans International	The British	Investment holding	US\$130,000	100%	100%
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	(BVI) Limited	Virgin Islands				
(b)	Shares held indirectly:					
*	BALtrans (Australia) Pty. Limited	Australia	Freight forwarding	A\$10,000	75%	75%
	BALtrans (BVI) Limited	The British Virgin Islands	Freight forwarding agency	US\$10,000	100%	100%
	BALtrans (China) Limited	Hong Kong	Investment holding	HK\$2,000,000	100%	100%
*	BALtrans UK Limited	United Kingdom	Freight forwarding	GBP 100,000	100%	100%
*	BALtrans Logistics Pte. Limited (formerly BALtrans Freight Pte. Limited)	Republic of Singapore	Freight forwarding	S\$250,000	100%	100%
	BALtrans International Moving Limited	Hong Kong	Household removal services	HK\$500,000	70%	70%
	BALtrans Investment Limited	Hong Kong	Property holding	HK\$5,000,000	92%	92%
	BALtrans Logistics Limited (formerly BALtrans Limited)	Hong Kong	Investment holding and freight forwarding	HK\$5,000,000	100%	100%
	BALtrans Distribution Limited (formerly BALtrans Logistics Limited)	Hong Kong	Warehousing services	HK\$2,000,000	78%	78%
*	BALtrans Ocean Inc. of America	United States	Freight forwarding	US\$1,000	100%	100%
	BALtrans Logistics Inc.	United States	Freight forwarding	US\$1,000	100%	100%

(formerly BALtrans of America
USA, Inc.)

Carmen Services Limited	The British Virgin Islands	Freight forwarding agency	US\$10,000	74%	74%
Fondair Express Limited	Hong Kong	Freight forwarding	HK\$1,000,000	67.4%	67.4%
Supreme Airfreight Company Limited	Hong Kong	Freight forwarding	HK\$1,500,000	74%	74%
Supreme Airfrt Investment Company Limited	Hong Kong	Investment holding	HK\$1,000,000	100%	89.8%
Supreme Freight Consolidators (Ocean) Limited	Hong Kong	Freight forwarding	HK\$200,000	74%	74%
Zimbery Limited	Hong Kong	Property holding	HK\$10,000	100%	100%
BALtrans Exhibitions & Removal Limited	Hong Kong	Exhibition forwarding services	HK\$1,000,000	60%	60%
Supreme Logistics Ltd.	Hong Kong	Warehousing and container drayage	HK\$500,000	74%	74%
* BALtrans (Macau) Limited	Macau	Freight forwarding	MOPI,000,000	70%	70%
Radical Services Limited	The British Virgin Islands	Freight forwarding agency	US\$10,000	67.4%	67.4%
Fondocean Express (HK) Limited	Hong Kong	Freight forwarding	HK\$2	67.4%	67.4%
BALtrans Global Logistics Limited	The British Virgin Islands	Freight forwarding agency	US\$500,000	100%	100%

World Connect Limited	Hong Kong	Freight forwarding	HK\$2,500,000	70%	70%
* Fond Express International Inc. of America	United States	Freight forwarding	US\$80,000	67.4%	67.4%
* Fond Express International (SFO) of America Inc.	United States	Freight forwarding	US\$70,000	67.4%	67.4%
* Helu-Trans (S) Pte. Limited	Republic of Singapore	Household and exhibition removal	S\$250,000	60%	60%
* BALtrans Freight (M) Sdn. Bhd.	Malaysia	Freight forwarding	RM600,000	100%	100%

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The companies within the Group operate principally in their respective places of incorporation.

None of the subsidiaries had any loan capital outstanding at the balance sheet date or at any time during the year.

* Subsidiaries not audited by PricewaterhouseCoopers.

28 Principal jointly controlled entities

Details of the principal jointly controlled entities of the Group at 31st July 2000 are as follows:

Name unincorporated	Incorporated/ incorporation	Place of operation/ Activities	Percentage of interest	
			Principal	in ownership 2000

1999

Interest held indirectly:

* Shanghai BALtrans Exhibition & Removal Limited	Incorporated	People's Republic of China	Household and exhibition removal	29.4%	29.4%
* BALtrans International Cargo Limited	Incorporated	People's Republic of China	Freight forwarding	40%	40%

The above table includes the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

* *Jointly controlled entities not audited by PricewaterhouseCoopers.*

29 Principal associated companies

Details of the principal associated companies of the Group at 31st July 2000 are as follows:

Name	Place of incorporation	Interest held Principal activities	2000	1999
Shares held indirectly:				
* BALtrans Logistics (Thailand) Co., Limited (formerly BALtrans (Thailand) Co., Limited)	Thailand	Freight forwarding	49%	49%
Wilson Freight (Far East) Limited	Hong Kong	Freight forwarding	49.5%	49.5%
* Korchina Freight Limited	Hong Kong	Freight forwarding	50%	25%
* BAL CAN Forwarding Inc.	Canada	Freight forwarding	49%	49%
* Korchina Freight Pte Ltd.	Republic of Singapore	Freight forwarding	50%	25%

* PT NEWJAS BALtrans Indonesia	Indonesia	Freight forwarding	40%	-
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The above table includes the associated companies of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

* Associated companies not audited by PricewaterhouseCoopers.

30 Approval of accounts

The accounts were approved by the board of directors on 23rd November 2000.