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### Going for excellence in supply chain management

An unrelenting emphasis on quality technology and breadth of service has distinguished BALtrans Holdings Limited as one of the leading freight forwarding and logistics groups in Asia Pacific.

Established in Hong Kong in 1982, BALtrans opened its first overseas office in Singapore the following year. Since then, it has built a network of over 50 offices which - together with joint ventures and agents - now serve around 3,000 customers in 50 countries.

But BALtrans has always recognized that geographical coverage alone is not enough. To promote customers' peace of mind, BALtrans has developed a leading edge in technology and quality control. In 1994, it became one of the few South Asian freight forwarders to be ISO 9002 accredited. Further reassurance is provided by an Electronic Data Interchange Cargo Tracing and Tracking System that allows BALtrans' offices to monitor from the desktop the status of any shipment. Shippers and consignees can for their part retrieve shipment information through our BALtrack Shipment Tracking and Tracing System. More recently, BALtrans joined Cargo 2000, the IATA interest group formed by leading airlines and freight forwarders to promote common business process and automation standards.

Aside from air and sea freight forwarding, BALtrans provides a range of related services, including third party logistics, exhibition forwarding, international removals, warehousing, marine insurance brokerage, and project forwarding.

Third party logistics, in particular, is seen by BALtrans as an important growth area in Asia as multinationals expand their sales in the region. BALtrans, as an integrated third party logistics provider, plays a crucial role in helping them master the complexities of supply chain management.



**BALTRANS HOLDINGS LIMITED**

**BALTRANS INTERNATIONAL (BVI) LIMITED**

**HONG KONG**

BALtrans (China) Ltd.  
 BALtrans Distribution Ltd.  
 BALtrans Exhibition & Removal Ltd.  
 BALtrans International Moving Ltd.  
 BALtrans Logistics Ltd.  
 Fond Express Logistics Ltd.  
 Fondair Express (HK) Ltd.  
 Fondocean Express (HK) Ltd.  
 G & U Logistics (China) Ltd.  
 Korchina Freight Ltd.  
 Megatrans Logistics Ltd.  
 Muragawa Logistics Ltd.  
 Pacific Game Ltd.  
 Prime Logistics Int'l (HK) Ltd.  
 Supreme Airfreight Company Ltd.  
 Supreme Airfirt Investment Co. Ltd.  
 Supreme Freight Consolidators (Ocean) Ltd.  
 Supreme Logistics Ltd.  
 Wilson Freight (Far East) Ltd.  
 World Connect Ltd.  
 Zimberly Limited

**MAINLAND CHINA**

**Beijing**  
 BALtrans International Cargo Ltd.

**Guangzhou**  
 BALtrans Logistics Ltd. Guangzhou Representative Office

**Shanghai**  
 Nanyang Int'l Goods Transportation Agent Co. Ltd. Shanghai Branch

Shanghai BALtrans Exhibition and Removal Ltd.

**Shenzhen**  
 BALtrans Logistics Ltd. Shenzhen Representative Office

**Wuhan**  
 Nanyang Int'l Goods Transportation Agent Co. Ltd.

**NORTH AMERICA**

**Canada**  
 BAL CAN Forwarding Inc.

**USA**  
 BALtrans California Inc.  
 BALtrans Global Logistics Ltd.  
 BALtrans Logistics Inc.  
 BALtrans Ocean Inc.  
 Fond Express International Inc.  
 Fond Express International (SFO) Inc.  
 Fond Express Logistics Inc.

**SOUTH EAST ASIA**

**Indonesia**  
 PT NEWJAS  
 BALtrans Indonesia

**Macau**  
 BALtrans (Macau) Ltd.

**Malaysia**  
 BALtrans Forwarding (Malaysia) Sdn. Bhd.  
 BALtrans Logistics (Malaysia) Sdn. Bhd.  
 HT Executive Movers (M) Sdn. Bhd.

**Singapore**  
 BALtrans International Logistics Pte. Ltd.  
 BALtrans Logistics Pte. Ltd.  
 Helu-Trans(S) Pte. Ltd.  
 Korchina Freight Pte. Ltd.

**Thailand**  
 BALtrans Logistics (Thailand) Co., Ltd.  
 Korchina Freight (Thailand) Ltd.

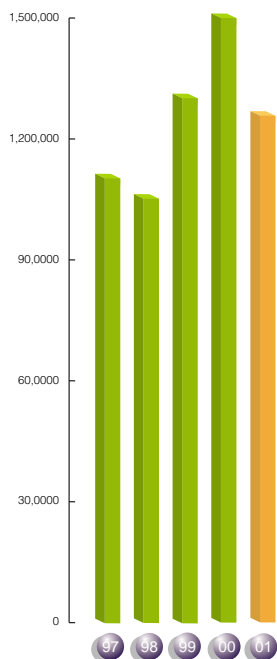
**OTHERS**

**Australia**  
 BALtrans (Australia) Pty. Ltd.

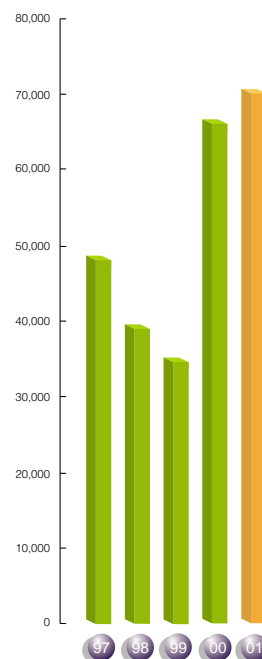
**British Virgin Islands**  
 BALtrans (BVI) Ltd.  
 Carmen Services Ltd.  
 Hung To Holdings Ltd.  
 Korman Agents Ltd.  
 Radical Services Ltd.

**UK**  
 BALtrans UK Limited

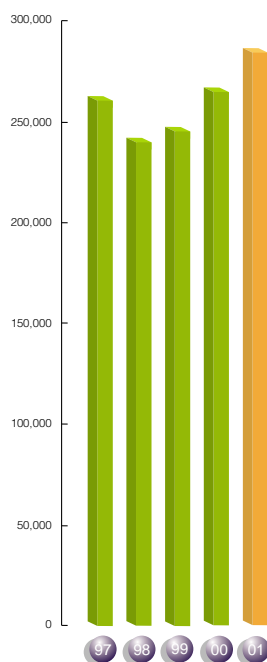
**Turnover**  
(HK\$'000)



**Profit Attributable to Shareholders**  
(HK\$'000)



**Net Assets**  
(HK\$'000)

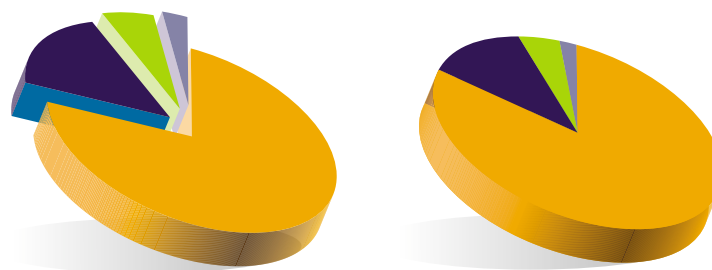


|                                     | 2001<br>(HK\$'000) | 2000<br>(HK\$'000) |
|-------------------------------------|--------------------|--------------------|
| Turnover                            | 1,294,041          | 1,492,563          |
| Operating profit                    | 74,430             | 64,825             |
| Profit before taxation              | 87,720             | 83,001             |
| Profit attributable to shareholders | 70,158             | 65,948             |
| Net assets                          | 284,225            | 264,696            |
| Dividends per share                 | 13.0 cents         | 12.5 cents         |
| Basic earnings per share            | 29.4 cents         | 27.7 cents         |

2001

2000

- Air freight
- Sea freight
- Household and exhibition removal services
- Trucking and warehousing services
- Property letting

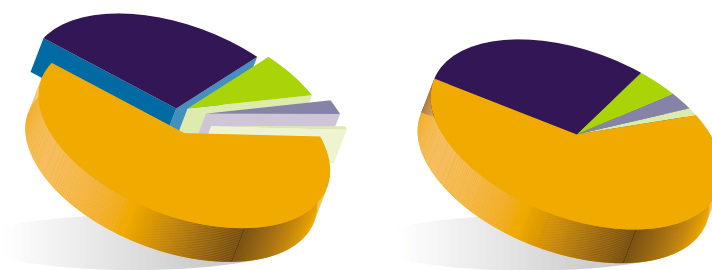


| Turnover by principle activities          | 2001<br>(HK\$'000) | 2000<br>(HK\$'000) |
|---|--------------------|--------------------|
| Air freight                               | 960,715            | 1,189,099          |
| Sea freight                               | 218,077            | 204,396            |
| Household and exhibition removal services | 79,415             | 70,017             |
| Trucking and warehousing services         | 35,812             | 29,006             |
| Property letting                          | 22                 | 45                 |
|   | <u>1,294,041</u>   | <u>1,492,563</u>   |

2001

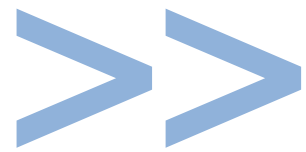
2000

- Hong Kong
- United States of America
- Singapore
- Malaysia
- Mainland China
- Others



| Turnover by geographical location of operations | 2001<br>(HK\$'000) | 2000<br>(HK\$'000) |
|---|--------------------|--------------------|
| Hong Kong                                       | 811,432            | 942,926            |
| United States of America                        | 357,753            | 430,106            |
| Singapore                                       | 88,856             | 63,419             |
| Malaysia  | 30,351             | 38,842             |
| Mainland China                                  | 4,680              | 17,179             |
| Others  | 969                | 91                 |
|   | <u>1,294,041</u>   | <u>1,492,563</u>   |

Airfreight was able to achieve a higher profit margin mainly due to a better mixture of traffic. Sea freight saw healthy growth, especially in terms of profit, as a result of successful marketing and promotion.



# Chairman's Statement



### To the Shareholders

The US economy took an abrupt turn towards the end of 2000 as signs of downturn began to surface, becoming more apparent in the first half of 2001. This turn of events has been felt not only in North America but also across the world, impacting nearly all economies and business sectors. Inevitably the Group's performance in the year to 31st July 2001 was also affected by the adverse operating environment. While the September 11 tragedy has at first dashed any hope of a fast recovery of the US market, recently there has been speculation of a quicker-than-expected rebound. Without sounding over-optimistic, we are cautiously hopeful that some degree of recovery would be possible later next year.

### Results

For the year ended 31st July 2001, the Group's consolidated turnover dropped by 13.3 percent to HK\$1,294 million. Profit attributable to shareholders was HK\$70.2 million, increasing by 6.4 percent. Earnings per share amounted to HK29.4 cents, as compared to HK27.7 cents in the last fiscal year.

### Dividends

The Board of Directors has recommended a final dividend of HK10.0 cents per share. This, together with the interim dividend of HK3.0 cents, would give a total dividend of HK13.0 cents per share for the whole year. Subject to the Shareholders' approval at the Annual General Meeting, the final dividends will be paid to the Shareholders whose names appear in the register of the Company at the close of business on 28th December 2001.

### General Review

The adverse impact of the US economic slowdown was felt more acutely in the latter half of the fiscal year under review as demand contracted almost across the board. The Asian region was inevitably also under the impact in the year under review.

Hong Kong remained the Group's major source of revenue, though lower demand had caused a decline in sales. The Group's operation in the Mainland China has been making progress. It was able to help boost the profitability of the Group's other operations and subsidiaries.

The Group's performance in other Asian markets was mixed. Business in Singapore grew as a result of acquisition. Our joint venture company in Indonesia, PT NEWJAS BALtrans Indonesia, also registered growth notwithstanding the less than favourable political and economic environment. On the other hand, business turnover in Malaysia and Thailand suffered some decline due to lower demand.

The Group's airfreight business was able to achieve a higher profit margin despite a decline in turnover. This was mainly due to a better mixture of traffic. Our sea freight business saw some healthy growth, especially in terms of profit, as a result of successful marketing and promotion. Third-party logistics, a growing area for the Group, also registered growth as we extended our service beyond Hong Kong to markets in North America that have been growing steadily.

### Looking Ahead

Uncertainties are expected to continue hovering over the world economy as the ramifications of the September 11 attacks have yet to be fully evaluated. The odds are now for a downturn on a global scale as clearer signs have begun to emerge. As a result, the coming year is expected to be a difficult year for most sectors, not just in the West but also in Asia. To reduce the adverse impact on the Group, we are actively seeking and implementing measures to streamline our operation and reduce costs.

In the longer term, we believe in brighter prospects as trade opportunities increase in China after her accession to the World Trade Organisation. The multiplier effect arising from that is likely to benefit the supporting services, including freight forwarding and third-party logistics. Furthermore, the Hong Kong SAR Government's determination to re-position Hong Kong as a regional logistics hub and the Hong Kong International Airport's initiatives in building a logistics centre and possibly a logistics park too will all be conducive to the growth of the freight forwarding industry as a whole. To coincide with these developments, we would expect the HKSAR Government to further liberalise its air policy to ensure that Hong Kong enjoys a larger catchment area and reaches more destinations. In order to expand our markets worldwide, therefore, we are constantly on the lookout for investment and acquisition opportunities in other parts of the world.



For BALtrans, airfreight is expected to continue growing in the long term and third-party logistics would also be a high-growth area. Geographically, we expect the Mainland market to increase in importance as a profit centre with steady growth. In view of that, we may consider to expand our presence there by setting up more offices or making acquisitions.

Finally, I wish to thank the Shareholders for their continued support and the Board of Directors for their sound advice. I would also like to thank all our staff for their commitment and hard work that the Group will continue to rely on.

**Anthony Siu Wing LAU**

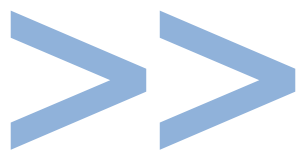
*Chairman and Chief Executive*

Hong Kong, 22nd November 2001



# Management and Discussion Analysis

Third-party logistics continued to be a high growth area. There is good potential for further growth in the years ahead.



## Business Review

### *Hong Kong*

Hong Kong remained the Group's major revenue source, contributing to about 62.7 percent of the Group's total turnover for the year ended 31st July 2001 (2000: 63.2 percent). As a result of the US economic downturn, the Hong Kong market experienced an overall decline in turnover. Our subsidiaries in this market were impacted in much the same way.

The decline in business volume was attributable mainly to a drop in tonnage in the Group's airfreight business due to the US slowdown. However, profit margin improved as a result of a better mixture of traffic.

The Group's sea freight business in Hong Kong remained stable, registering a 6.7 percent growth in business volume.

In line with our earlier predictions, third-party logistics continued to be a high growth area. Turnover grew by an encouraging 23 percent in the year under review. In absolute terms, the contribution of this segment was still relatively small but we are confident that there is good potential for further growth in the years ahead.

In Hong Kong, our exhibition forwarding business performed well during the year whereas household removal and fine art packing also registered steady growth.

### *Mainland China*

Our various offices in the Mainland have been making progress in terms of development and continued to provide important operational support to the Group's sales offices overseas, thereby raising their productivity, efficiency and profitability. Such support was provided mainly out of Shanghai and was focused largely on airfreight.

### *Other Asian Markets*

Performance was mixed in other Asian markets. In Singapore, our acquisition of business from several other smaller local forwarders enabled us to achieve a growth in turnover of 40 percent. In Indonesia, our joint venture company, PT NEWJAS BALtrans Indonesia, continued to perform well by achieving a healthy growth in business of 20 percent. However, Malaysia and Thailand came under the impact of the US slowdown more severely by registering double-digit turnover decline.

## Services

### *Airfreight*

Airfreight remained the Group's most important business segment, contributing to nearly 75 percent of the Group's total turnover during the year under review.

Compared with the previous year, there was a decline in business volume of 19 percent. However, we were able to achieve a higher gross profit margin due to a better mixture of traffic.

### *Sea Freight*

Sea freight contributed to almost 17 percent of the Group's total turnover. While we achieved a growth in business volume of about 7 percent, profit shot up by a strong 73 percent over the previous year. This outstanding growth in sea freight profit was the result of marketing success, product diversification and tailoring our services to individual customers' needs.

### *Third-party Logistics*

Although third-party logistics contributed to just about 3 percent of the Group's total turnover, we detected an increasingly obvious trend of outsourcing such service especially by multi-national corporations in North America.

### *Exhibition Forwarding and Household Removal*

Exhibition forwarding and household removal contributed to about 6 percent of the Group's total turnover. During the year, there was a healthy growth in business volume of 13 percent.

### Liquidity, Financial Resources and Funding

As at 31st July 2001, the Group possessed cash and cash equivalents of HK\$186.88 million (2000: HK\$150.66 million). Spendings on fixed assets remained at more or less the same level as last year. For the year to 31st July 2001, HK\$4,101,000 (2000: HK\$4,276,000) were paid for the purchase of fixed assets whereas HK\$13.5 million (2000: HK\$1,315,000) were received for the disposal of fixed assets. In the year under review, HK\$20,878,000 (2000: HK\$896,000) and HK\$1,250,000 (2000: HK\$6,050,000) were invested in subsidiaries and associated companies respectively.

The Group's funding requirements have been financed mainly by internal resources. Only a small amount of overdraft facilities were or would be utilised. The Group's banking facilities are used mainly for the purpose of securing bank guarantees required by suppliers.

The Group's borrowings were mainly in Hong Kong Dollars. Overdraft facilities were granted to the Group at the normal market interest rate. As at 31st July 2001, bank overdrafts of the Group is HK\$6,908,000 (2000: HK\$11,257,000).

The Group signed a Sale & Purchase Agreement to acquire the whole floor of New Mandarin Plaza, Tower A, 8/F for a consideration of HK\$40 million and the execution of the Agreement was completed on 14th September 2001. The Group has also arranged with a banker for 70% of the mortgage of the premises.

Since the Group usually conducts its business transactions in Hong Kong Dollars and US Dollars, there is seldom the need to make use of financial instruments for hedging purposes.

As a matter of principle, the Group would allow adequate working capital in overseas subsidiaries and transfer excessive funds back to the head office. Some of our overseas subsidiaries would use overdraft facilities in foreign currencies but the amounts involved would usually be too small to necessitate hedging.

Over 90 per cent of the Group's cash is in either Hong Kong Dollars or US Dollars. The exposure to exchange fluctuation is minimal. The gearing ratio (total long-term liabilities/total shareholders' funds) for the period was 0.003 (2000: 0.045).

### Charges on Group Assets

The whole first floor of Sunshine Kowloon Bay Cargo Centre was charged to a bank in exchange for general banking facilities for the Group. The Group has placed fixed deposits totaling HK\$2.55 million (2000: HK\$2.5 million) as securities for banking facilities extended to the Group's subsidiaries.

### Core Investments and Acquisitions

The BALtrans agency network, Fondair agency network and Supreme agency network constituted the core investments of the Group during the period.

In August 2000, we set up a subsidiary, Muragawa Logistics Limited in Hong Kong to focus on the wholesale of air cargo spaces.

In December 2000, we acquired additional 20% interests in Fondair Express (HK) Limited, thus increasing our interests from 67.4% to 87.4%. The consideration was HK\$19,276,000.

In February 2001, the Group invested 10% interests in a freight forwarding company in Budapest, Hungary called FBI Air Legi Szallitmanyozo Kft for a consideration of US\$25,000. A further acquisition of another 10% interests would be made in January 2003 for a consideration of US\$25,000. This will serve as a steppingstone for the Group to enter into the Eastern Europe freight market.

In July 2001, the Group invested 50% interests in a Hong Kong logistics provider, G & U Logistics (China) Limited, for a consideration of HK\$1.0 million. G & U is a logistics specialist in the chemical industry.

After the Balance Sheet Date, the Group acquired Corporate Century Limited, BVI which holds 70% interests in a freight forwarding company incorporated in Canada for a consideration of CAD6.44 million of which upfront payment has been made and the balance would be paid in the subsequent four years. This acquisition, we believe, will ensure stronger growth in business between Hong Kong and Canada in the long term.

### Contingent Liabilities

The Group has provided guarantees to banks in respect of banking facilities granted to associated companies amounting to HK\$7.5 million (2000: HK\$8.0 million) of which HK\$3.5 million (2000: HK\$6.0 million) has been utilised.

### Staff and Employment

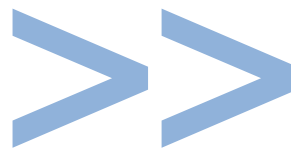
As at 31st July 2001, the Group employed a total workforce of 487 (2000: 473). Total staff remuneration was HK\$106,499,000, including pension expenses of HK\$4,347,000 (2000: HK\$88,450,000, including pension expenses of HK\$3,173,000). No share option was granted to staff during the year.

The Group's remuneration policies, including both salaries and bonuses, are in line with the local practices where the Group and its subsidiaries operate.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.



In the longer term, we believe in brighter prospects as trade opportunities increase in China after her accession to the World Trade Organization in November 2001.



# Report of the Directors



The directors submit their report together with the audited accounts for the year ended 31st July 2001.

### Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of the Group continue to be the provision of freight forwarding services.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and geographical location of operations is set out in note 2 to the accounts.

### Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 26. The directors have declared an interim dividend of HK3.0 cents per ordinary share, totalling HK\$7,172,000, which was paid on 30th May 2001.

The directors recommend the payment of a final dividend of HK10.0 cents per ordinary share, totalling HK\$23,905,000.

### Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 17 to the accounts.

### Fixed assets

Details of the movements in fixed assets of the Group and the Company are set out in note 9 to the accounts.

### Share capital

Details of the movements in share capital of the Company are set out in note 16 to the accounts.

### Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restriction against such rights under law in Bermuda.

### Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

**Bank overdrafts and other borrowings**

At 31st July 2001, bank overdrafts and other borrowings of the Group are repayable over the following periods:

|   | Bank<br>overdrafts<br><i>HK\$'000</i> | Other<br>borrowings<br><i>HK\$'000</i> |
|---|---------------------------------------|--|
| On demand or not exceeding one year                 | 6,908                                 | 425                                    |
| More than one year but not exceeding two years      | —                                     | 192                                    |
| More than two years but not exceeding five years    | —                                     | 240                                    |
| More than one year but with no fixed repayment date | —                                     | 318                                    |
|   | <u>6,908</u>                          | <u>1,175</u>                           |

**Five year financial summary**

The following table summarises the results, assets and liabilities of the Group for the five years ended 31st July 2001.

|  | 1997<br><i>HK\$'000</i> | 1998<br><i>HK\$'000</i> | 1999<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Results</b>                         |                         |                         |                         |                         |                         |
| Profit attributable to<br>shareholders | <u>47,303</u>           | <u>38,502</u>           | <u>34,663</u>           | <u>65,948</u>           | <u>70,158</u>           |
| <b>Assets and liabilities</b>          |                         |                         |                         |                         |                         |
| Total assets                           | 452,154                 | 383,272                 | 453,100                 | 513,897                 | 490,273                 |
| Total liabilities                      | <u>189,011</u>          | <u>152,334</u>          | <u>218,822</u>          | <u>249,201</u>          | <u>206,048</u>          |
| Shareholders' funds                    | <u>263,143</u>          | <u>230,938</u>          | <u>234,278</u>          | <u>264,696</u>          | <u>284,225</u>          |



### Major customers and suppliers

Purchases attributable to the Group's major suppliers are as follows:

|                                       | 2001 | 2000 |
|---------------------------------------|------|------|
|                                       | %    | %    |
| Purchases                             |      |      |
| — the largest supplier                | 19   | 23   |
| — the five largest suppliers combined | 36   | 40   |

Aggregate sales attributable to the Group's five largest customers is less than 30% of the Group's total sales during the current and previous years.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

### Provident fund arrangements

The Group operates a defined contribution pension scheme for its Hong Kong employees. The scheme is administered by independent trustees. In relation to each employee, the employee and the Group contribute 5% and 5 - 10% respectively of employees' basic salaries to the scheme. Contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions are used by the Group to reduce the existing level of contributions.

With the implementation of the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance on 1st December 2000, the Group established a new MPF Scheme. Except for employees who commenced employment after 1st December 1999, all the existing employees were given an option to select between the existing defined contribution pension scheme and the MPF Scheme. The employees who commenced employment after 1st December 1999 are required to join the MPF Scheme. For the MPF Scheme, both the Group's and employees' contributions are fixed at 5% of the employees' relevant income as defined in the Hong Kong MPF Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Majority of the defined contributions for overseas staff are relating to the defined contribution pension scheme in Singapore which is administered by the Singapore Government. In relation to each employee in Singapore, the employee and the Group contribute 5%-20% and 3.5%-16% respectively of employees' basic salaries to the scheme. The contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

**Provident fund arrangements** *(Continued)*

During the year, the Group's provident fund contributions were as follows:

|   | 2001<br>HK\$'000    | 2000<br>HK\$'000    |
|---|---------------------|---------------------|
| Contributions charged to profit and loss account for the year under the defined contribution pension scheme and MPF Scheme in Hong Kong | 2,916               | 2,383               |
| Forfeited contributions used by the Group to reduce the existing level of contributions under the defined contribution pension scheme   | (274)               | (443)               |
| Contributions charged to profit and loss account for the year pursuant to overseas statutory requirements                               | <u>1,705</u>        | <u>1,233</u>        |
|   | <u><u>4,347</u></u> | <u><u>3,173</u></u> |

At the balance sheet date, there are no forfeited contributions which are available to reduce the Group's future contributions.

**Directors**

The directors during the year and up to the date of this report were:

**Executive directors:**

Mr Anthony Siu Wing LAU

Mr William Hugh Purton BIRD

Mr David Chung Hung WAI

**Independent non-executive directors:**

Mr Christopher John David CLARKE

Mr Goshi KIRIMOTO

Mr Christopher Harvey HALL (appointed on 12th September 2001)

Mr Henrik von SYDOW (resigned on 31st July 2001)

Mr David Chung Hung WAI and Mr Christopher John David CLARKE, retire by rotation in accordance with Section 87(2) of the Company's Bye-laws, and being eligible, offer themselves for re-election.

## Biographical details of directors and senior management

The biographical details of directors and senior management are set out as follows:

### Executive directors

#### Mr Anthony Siu Wing LAU

Aged 58, is a co-founder of the Group together with Mr William Hugh Purton BIRD and Mr David Chung Hung WAI and is the Company's chairman and chief executive. He is responsible for the overall management of the Group, particularly the Greater China operations. He holds a Master of Business Administration Degree from the University of East Asia, Macau. He is also a fellow member of the Institute of Freight Forwarders UK. He has 37 years of experience in the airline and freight forwarding businesses and was the regional managing director of a multinational freight forwarding company in Hong Kong for five years.

#### Mr William Hugh Purton BIRD

Aged 55, is a co-founder of the Group together with Mr Anthony Siu Wing LAU and Mr David Chung Hung WAI. Mr BIRD is the managing director of BALtrans Logistics Pte. Limited. Mr BIRD was based in Hong Kong between 1982 and 1989, and since then he has been stationed in Singapore and has been responsible for developing the Group activities in the South East Asian and Australian region. Mr BIRD has 34 years of experience in the freight forwarding business. He is also a member of the Institute of Freight Forwarders UK. He was the regional managing director of a multinational forwarding company based in Hong Kong for five years.

#### Mr David Chung Hung WAI

Aged 54, is a co-founder of the Group together with Mr Anthony Siu Wing LAU and Mr William Hugh Purton BIRD. Mr WAI is the president of BALtrans Logistics Inc. and BALtrans Ocean Inc. He is responsible for the management and development of the Group's interest in the US market. He has over 36 years of experience in shipping lines, airlines and freight forwarding businesses.

### Independent non-executive directors

#### Mr Christopher John David CLARKE

Aged 51, is the senior partner in Asia of CMS Cameron McKenna, a leading international law firm. He has over 26 years of experience as a solicitor in England and Hong Kong with extensive experience in corporate and commercial law. He was appointed as an independent non-executive director of the Company in 1993.

#### Mr Goshi KIRIMOTO

Aged 65, holds a Bachelor Degree from the Economics Department, University of Doshisha, Kyoto, Japan. He is currently the advisor of I-Logistics Corp., a wholly owned subsidiary of Itochu. He has been with Itochu for over 44 years. Prior to his appointment as advisor of I-Logistics Corp., he had been a Board Member of Itochu and had served Itochu as managing director in Hong Kong and Nagoya. He was appointed as an independent non-executive director of the Company in 1996.

#### Mr Christopher Harvey HALL

Aged 49, is a graduate of Cambridge University and director of Pacific Taxation Services Limited, a subsidiary of the Insinger group. He is a Certified Public Accountant with over 25 years experience. He was a partner of Grant Thornton Hong Kong for 19 years. He was appointed as an independent non-executive director of the company in 2001.

**Biographical details of directors and senior management** *(Continued)***Senior management****Mr Kwok Kong KO**

Aged 49, joined the Group in 1982. He is the accountant of the Group and a director of BALtrans Logistics Limited in Hong Kong. He has 27 years of experience in the freight forwarding business.

**Mr John Kelly KING**

Aged 49, joined the Group in 1982. He is a director of BALtrans Logistics Limited and is responsible for its air freight operations. He holds a Bachelor Degree in Social Science from the University of Toronto. He has 24 years of experience in the freight forwarding business.

**Mr Raymond Wai Man LAW**

Aged 46, joined the Group in 1983. He is a director of BALtrans Logistics Limited and is responsible for its sea freight operations. He holds a Bachelor Degree in Science from the University of Alberta, Canada. He has 18 years of experience in freight forwarding business.

**Mr Wan Tat KWAN**

Aged 51, joined the Group in 1994. He has been the managing director of Supreme Airfreight Company Limited for many years in Hong Kong. He is responsible for the day to day management and the sales and marketing activities of the company. He has 10 years of experience in airlines cargo business and 14 years of experience in freight forwarding business.

**Mr Ernie Chak Chiu SO**

Aged 51, joined the Group in 1996 as the managing director of Fondair Express (HK) Limited in Hong Kong. He has 31 years of experience in the forwarding industry holding various executive positions.

**Mr Edmund Soon Nam NG**

Aged 46, joined the Group in 1985 and is a director of a Group's subsidiary in Singapore. He is responsible for the day to day management of the Singapore operations. He has 22 years of experience in the freight forwarding business.

**Mr Cid SMITH**

Aged 59, joined the Group in 1992 and is a director of the Group's subsidiary in Malaysia, with the responsibility for the day to day operations of the Malaysian operations. He is a fellow member of the British International Forwarders Association (BIFA) with 38 years of freight forwarding experience.

### Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' and chief executives' benefits from rights to acquire shares or debentures

In 1992, a share option scheme was approved at a special meeting of the Company under which the directors may, at their discretion, invite full time employees including executive directors of the Group to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein.

On 13th March 1997, nine senior management of the Group were offered options to subscribe a total of 3,900,000 shares at a fixed price of HK\$0.8336 per share. Half of the allocation may be exercised after 30th June 1998 and the remainder after 31st December 2000. The options are valid until 12th March 2003. The outstanding share options held by the senior management is set out in note 16 to the accounts.

Apart from the above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Company's directors, chief executives and their spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### Particulars of shares held by directors, chief executives and their associates

At 31st July 2001, the directors, chief executives and their associates had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

| Name of directors                | Nature of holding | Number of ordinary shares of the Company beneficially held |
|----------------------------------|-------------------|--|
| Mr Anthony Siu Wing LAU          | Personal interest | 72,386,000   |
| Mr William Hugh Purton BIRD      | Personal interest | 57,591,200   |
| Mr David Chung Hung WAI          | Personal interest | 32,942,000   |
| Mr Christopher John David CLARKE | Personal interest | 78,000   |

Save as disclosed above and other than certain non-beneficial ordinary shares in subsidiaries held in trust for the Group by Mr Anthony Siu Wing LAU and Mr William Hugh Purton BIRD, none of the directors, chief executives and their associates has any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations as at the balance sheet date required to be disclosed pursuant to the SDI Ordinance.

### Substantial shareholders' interests in the share capital of the Company

At 31st July 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the directors and chief executives as disclosed above.

### Directors' service and management contracts

At 31st July 2001, a subsidiary of the Company had entered into an agreement with Transportation Consultancy Limited, in which Mr Anthony Siu Wing LAU, Mr William Hugh Purton BIRD and Mr David Chung Hung WAI are interested as beneficial owners, for the provision of management services to the Group. The contract will expire on 31st December 2001.

Apart from the above, none of the directors who are proposed for re-election of at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation and no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Connected transaction

On 30th October 2000, the Company, through its wholly owned subsidiary, BALtrans International (BVI) Limited, entered into a sale and purchase agreement (the "Agreement") with Mr Ernie So Chak Chiu and Mr Francis So Chak Fai (the "Vendors"), both are directors of Fondair Express (HK) Limited ("Fondair"), to acquire an additional 20% equity interest in Fondair (the "Acquisition") for a cash consideration of HK\$19,276,000.

Pursuant to the Agreement, the consideration for the Acquisition may be adjusted as follows:

Downward adjustment: In the event that (i) 20% of the Profit After Taxation as shown in the audited accounts of Fondair and its subsidiaries (the "Fondair Group") for each financial year ending on 31st July 2004 is less than HK\$3,825,000, or (ii) 20% of the Profit After Taxation as shown in the audited accounts of the Fondair Group for the four consecutive financial years ending on 31st July 2004 is less than HK\$18,000,000 in aggregate, the Group will receive the shortfall on a dollar for dollar basis in cash from the Vendors.

Upward adjustment: In the event that 20% of the Profit After Taxation as shown in the audited accounts of the Fondair Group for the four consecutive financial years ending on 31st July 2004 exceeds HK\$18,000,000 in aggregate, each of the Vendors will be entitled to a total of 25% of the cumulative excess, subject to a maximum amount of HK\$15,000,000 for each of the Vendors.

### Connected transaction *(Continued)*

After the Acquisition, the effective interest of Fondair held by the Group increased from 67.4% to 87.4%.

At the date of Agreement, the Vendors were directors and substantial shareholders of Fondair, which was a 67.4% owned subsidiary of the Group, the Acquisition constituted a connected transaction for the Group. An announcement relating to the Acquisition was published on 30th October 2000. This Acquisition was approved by independent shareholders at a special general meeting on 4th December 2000.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 24 to the accounts.

### Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules") except that independent non-executive directors are not appointed for a specified term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, non-executive directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

### Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr Henrik von SYDOW and Mr Christopher John David CLARKE. Mr Henrik von SYDOW was resigned on 31st July 2001 and Mr Christopher Harvey HALL was appointed as a member of Audit Committee on 12th September 2001. Two meetings were held for the review of interim and annual financial statements for the current financial year.

### Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Anthony Siu Wing LAU**

*Chairman*

Hong Kong, 22nd November 2001





羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor Prince'e Building  
Central Hong Kong

## AUDITORS' REPORT TO THE SHAREHOLDERS OF BALTRANS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 26 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st July 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22nd November 2001

## Consolidated Profit and Loss Account

For the year ended 31st July 2001

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|  | Note | 2001<br>HK\$'000         | 2000<br>HK\$'000         |
|--|------|--------------------------|--------------------------|
| Turnover   | 2    | 1,294,041                | 1,492,563                |
| Cost of services rendered                              |      | <u>(1,024,546)</u>       | <u>(1,239,794)</u>       |
| Gross profit   |      | 269,495                  | 252,769                  |
| Other revenues   | 2    | 8,742                    | 10,848                   |
| Administrative expenses                                |      | (203,807)                | (189,260)                |
| Deficit on revaluation of leasehold land and buildings |      | <u>—</u>                 | <u>(9,532)</u>           |
| Operating profit                                       | 3    | 74,430                   | 64,825                   |
| Finance costs  | 4    | (302)                    | (318)                    |
| Share of profits less losses of                        |      |                          |                          |
| Jointly controlled entities                            |      | (146)                    | (618)                    |
| Associated companies                                   |      | <u>13,738</u>            | <u>19,112</u>            |
| Profit before taxation                                 |      | 87,720                   | 83,001                   |
| Taxation   | 5    | <u>(10,596)</u>          | <u>(4,036)</u>           |
| Profit after taxation                                  |      | 77,124                   | 78,965                   |
| Minority interests                                     |      | <u>(6,966)</u>           | <u>(13,017)</u>          |
| Profit attributable to shareholders                    |      | 70,158                   | 65,948                   |
| Dividends  | 6    | <u>(31,077)</u>          | <u>(29,826)</u>          |
| Profit for the year retained                           |      | <u><u>39,081</u></u>     | <u><u>36,122</u></u>     |
| Basic earnings per share                               | 7    | <u><u>29.4 cents</u></u> | <u><u>27.7 cents</u></u> |
| Fully diluted earnings per share                       | 7    | <u><u>29.3 cents</u></u> | <u><u>27.6 cents</u></u> |

## Consolidated Balance Sheet

As at 31st July 2001

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|  | <i>Note</i> | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| Fixed assets                               | 9           | 75,496                  | 91,655                  |
| Investments in jointly controlled entities | 11          | 5,435                   | 6,006                   |
| Investments in associated companies        | 12          | 41,913                  | 32,727                  |
| Current assets                             |             |                         |                         |
| Trade and other receivables                | 13          | 167,196                 | 219,088                 |
| Other investments                          | 14          | 3,900                   | —                       |
| Pledged bank deposits                      | 22          | 2,550                   | 2,500                   |
| Cash and bank balances                     |             | <u>193,783</u>          | <u>161,921</u>          |
|  |             | <u>367,429</u>          | <u>383,509</u>          |
| Current liabilities                        |             |                         |                         |
| Trade and other payables                   | 15          | 146,049                 | 180,961                 |
| Current portion of long-term liabilities   | 18          | 425                     | 424                     |
| Taxation payable                           |             | 10,077                  | 3,182                   |
| Bank overdrafts                            |             |                         |                         |
| Secured                                    | 22          | 5,474                   | 8,289                   |
| Unsecured                                  |             | 1,434                   | 2,968                   |
| Dividend payable                           |             | <u>23,905</u>           | <u>23,865</u>           |
|  |             | <u>187,364</u>          | <u>219,689</u>          |
| Net current assets                         |             | <u>180,065</u>          | <u>163,820</u>          |
| Total assets less current liabilities      |             | <u>302,909</u>          | <u>294,208</u>          |
| Financed by:                               |             |                         |                         |
| Share capital                              | 16          | 23,905                  | 23,865                  |
| Reserves                                   | 17          | <u>260,320</u>          | <u>240,831</u>          |
| Shareholders' funds                        |             | 284,225                 | 264,696                 |
| Minority interests                         |             | 17,737                  | 16,903                  |
| Non-current liabilities                    |             |                         |                         |
| Long-term liabilities                      | 18          | 750                     | 11,867                  |
| Deferred taxation                          | 19          | <u>197</u>              | <u>742</u>              |
|  |             | <u>302,909</u>          | <u>294,208</u>          |

Anthony Siu Wing LAU  
*Director*

William Hugh Purton BIRD  
*Director*

## Balance Sheet

As at 31st July 2001

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|                                       | Note | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
|---------------------------------------|------|------------------|------------------|
| Fixed assets                          | 9    | 4                | 8                |
| Investments in subsidiaries           | 10   | 82,466           | 82,466           |
| Current assets                        |      |                  |                  |
| Trade and other receivables           | 13   | 44,916           | 50,988           |
| Dividend receivable from a subsidiary |      | 37,960           | 29,900           |
| Cash and bank balances                |      | 194              | 132              |
|                                       |      | <u>83,070</u>    | <u>81,020</u>    |
| Current liabilities                   |      |                  |                  |
| Trade and other payables              | 15   | 1,814            | 498              |
| Dividend payable                      |      | 23,905           | 23,865           |
|                                       |      | <u>25,719</u>    | <u>24,363</u>    |
| Net current assets                    |      | <u>57,351</u>    | <u>56,657</u>    |
|                                       |      | <u>139,821</u>   | <u>139,131</u>   |
| Financed by:                          |      |                  |                  |
| Share capital                         | 16   | 23,905           | 23,865           |
| Reserves                              | 17   | 115,916          | 115,266          |
| Shareholders' funds                   |      | <u>139,821</u>   | <u>139,131</u>   |

Anthony Siu Wing LAU  
Director

William Hugh Purton BIRD  
Director

## Consolidated Cash Flow Statement

For the year ended 31st July 2001

|  | <i>Note</i> | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| Net cash inflow from operating activities                                | 20(a)       | <u>90,704</u>           | <u>73,899</u>           |
| Returns on investments and servicing of finance                          |             |                         |                         |
| Interest received  |             | 7,484                   | 5,490                   |
| Interest element of finance leases rental payments                       |             | (75)                    | (92)                    |
| Interest paid  |             | (227)                   | (226)                   |
| Dividends received from associated companies                             |             | 2,125                   | 14,443                  |
| Dividend received from a jointly controlled entity                       |             | 406                     | —                       |
| Dividend paid  |             | (31,037)                | (22,120)                |
| Dividend paid to minority shareholders                                   |             | <u>(4,762)</u>          | <u>(1,112)</u>          |
| Net cash outflow from returns on investments<br>and servicing of finance |             | <u>(26,086)</u>         | <u>(3,617)</u>          |
| Taxation   |             |                         |                         |
| Hong Kong profits tax paid   |             | (9)                     | (975)                   |
| Overseas taxation paid   |             | <u>(1,507)</u>          | <u>(675)</u>            |
| Total taxation paid  |             | <u>(1,516)</u>          | <u>(1,650)</u>          |
| Investing activities   |             |                         |                         |
| Purchase of fixed assets   |             | (4,101)                 | (4,276)                 |
| Increase in pledged bank deposits  |             | (50)                    | (1,422)                 |
| Sale of fixed assets   |             | 13,531                  | 1,315                   |
| Acquisition of associated companies                                      |             | (1,250)                 | (6,050)                 |
| Acquisition of additional interest in subsidiaries                       |             | (20,878)                | (896)                   |
| Purchase of other investments  |             | <u>(3,900)</u>          | <u>—</u>                |
| Net cash outflow from investing activities                               |             | <u>(16,648)</u>         | <u>(11,329)</u>         |
| Net cash inflow before financing   |             | <u><u>46,454</u></u>    | <u><u>57,303</u></u>    |

## Consolidated Cash Flow Statement

For the year ended 31st July 2001

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|  | <i>Note</i> | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| Net cash inflow before financing                       |             | <u>46,454</u>           | <u>57,303</u>           |
| Financing  |             |                         |                         |
| Exercise of share options                              |             | 334                     | 1,042                   |
| Capital contribution from minority shareholders        |             | 994                     | 100                     |
| Repayment of amounts due to minority shareholders      |             | (11,064)                | (1,200)                 |
| Capital element of finance leases rental payments      |             | <u>(430)</u>            | <u>(547)</u>            |
| Net cash outflow from financing                        | 20(b)       | <u>(10,166)</u>         | <u>(605)</u>            |
| Increase in cash and cash equivalents                  |             | 36,288                  | 56,698                  |
| Cash and cash equivalents at the beginning of the year |             | 150,664                 | 93,942                  |
| Effect of changes in exchange rates                    |             | <u>(77)</u>             | <u>24</u>               |
| Cash and cash equivalents at the end of the year       |             | <u><u>186,875</u></u>   | <u><u>150,664</u></u>   |
| Analysis of cash and cash equivalents:                 |             |                         |                         |
| Cash and bank balances                                 |             | 193,783                 | 161,921                 |
| Bank overdrafts  |             | <u>(6,908)</u>          | <u>(11,257)</u>         |
|  |             | <u><u>186,875</u></u>   | <u><u>150,664</u></u>   |

## Consolidated Statement of Recognised Gains and Losses

For the year ended 31st July 2001

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|   | <i>Note</i> | <b>2001</b><br><i>HK\$'000</i> | <b>2000</b><br><i>HK\$'000</i> |
|---|-------------|--------------------------------|--------------------------------|
| Exchange differences arising on translation of accounts of subsidiaries, jointly controlled entities and associated companies | 17          | <u>(220)</u>                   | <u>(156)</u>                   |
| Losses not recognised in the profit and loss account  |             | (220)                          | (156)                          |
| Profit for the year   | 17          | <u>70,158</u>                  | <u>65,948</u>                  |
| Total recognised gains  |             | <b>69,938</b>                  | 65,792                         |
| Goodwill eliminated directly against reserves   | 17          | <u>(19,666)</u>                | <u>(6,590)</u>                 |
|   |             | <u><b>50,272</b></u>           | <u><b>59,202</b></u>           |

## 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 accounting standards issued by the Hong Kong Society of Accountants.

### (b) Basis of consolidation

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.

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.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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 on the basis of dividend income.



## 1 Principal accounting policies *(Continued)*

### (d) Jointly controlled entities

A jointly controlled entity 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, 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, 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 less subsequent accumulated depreciation. Valuation is determined by the directors based on independent valuations or with reference to selling price of similar properties in an arm's length transaction, and is determined on the basis of existing use.

The directors review annually the carrying value of leasehold land and buildings held in Hong Kong on an individual basis and adjustment is made where they consider that there has been a material change. Surplus on revaluation is credited to the revaluation reserve. Deficit is first set off against increases on earlier valuations in respect of the same property and is thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously charged.

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

Amortisation of leasehold land is calculated to write off their cost or 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 or valuation over the unexpired period of the leases or their expected useful lives to the Group whichever is shorter. The principal annual rates range from 2% to 5%.

## 1 Principal accounting policies *(Continued)*

### (f) Fixed assets *(Continued)*

#### (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.

The carrying amounts of other 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 amount.

#### (iii) 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 attributable to the relevant asset is transferred to retained profits as a movement in reserves.

### (g) Assets under leases

#### (i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

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

## 1 Principal accounting policies *(Continued)*

### (g) Assets under leases *(Continued)*

#### (ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

### (h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

### (i) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

### (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.

**1 Principal accounting policies** *(Continued)***(l) Revenue**

- (i) Revenue is recognised when the freight forwarding services are rendered, 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 cost**

Contributions to the retirement scheme are charged to the profit and loss account as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

## 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:

|  | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Turnover   |                         |                         |
| Revenue from rendering freight forwarding services |                         |                         |
| Air freight  | 960,715                 | 1,189,099               |
| Sea freight  | 218,077                 | 204,396                 |
| Household and exhibition removal services          | 79,415                  | 70,017                  |
| Trucking and warehousing services                  | 35,812                  | 29,006                  |
| Gross rental income from land and buildings        | 22                      | 45                      |
|  | <u>1,294,041</u>        | <u>1,492,563</u>        |
| Other revenues                                     |                         |                         |
| Management fee                                     | 1,258                   | 5,258                   |
| Interest income                                    | 7,484                   | 5,490                   |
| Dividend income from unlisted investments          | —                       | 100                     |
|  | <u>8,742</u>            | <u>10,848</u>           |
| Total revenues                                     | <u><u>1,302,783</u></u> | <u><u>1,503,411</u></u> |

## 2 Turnover, revenues and segment information (Continued)

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) |                  |
|---|------------------|------------------|-------------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000        | 2000<br>HK\$'000 |
| Principal activities:                                     |                  |                  |                         |                  |
| Air freight   | 960,715          | 1,189,099        | 55,750                  | 64,935           |
| Sea freight   | 218,077          | 204,396          | 10,017                  | 5,779            |
| Household and exhibition<br>removal services              | 79,415           | 70,017           | 4,753                   | 2,705            |
| Trucking and warehousing<br>services                      | 35,812           | 29,006           | 3,908                   | 1,027            |
| Property letting  | 22               | 45               | 2                       | (89)             |
| Deficit on revaluation of<br>leasehold land and buildings | —                | —                | —                       | (9,532)          |
|   | <u>1,294,041</u> | <u>1,492,563</u> | <u>74,430</u>           | <u>64,825</u>    |
| Geographical location of<br>operations:                   |                  |                  |                         |                  |
| Hong Kong   | 811,432          | 942,926          | 64,645                  | 51,757           |
| United States of America                                  | 357,753          | 430,106          | 8,156                   | 10,397           |
| Singapore   | 88,856           | 63,419           | 435                     | 931              |
| Malaysia  | 30,351           | 38,842           | 482                     | 2,059            |
| Mainland China  | 4,680            | 17,179           | 25                      | 78               |
| Others  | 969              | 91               | 687                     | (397)            |
|   | <u>1,294,041</u> | <u>1,492,563</u> | <u>74,430</u>           | <u>64,825</u>    |

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) Revenues from other services are attributed on the basis of where the services are performed.

### 3 Operating profit

Operating profit is stated after crediting and charging the following:

|  | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Crediting</b>   |                         |                         |
| Net exchange gains                                       | <u>1,622</u>            | <u>729</u>              |
| <b>Charging</b>  |                         |                         |
| Auditors' remuneration                                   | 1,393                   | 1,242                   |
| Depreciation of owned fixed assets                       | 6,514                   | 7,321                   |
| Depreciation of leased fixed assets                      | 323                     | 345                     |
| Staff costs  |                         |                         |
| — Retirement benefit cost                                | 4,347                   | 3,173                   |
| — Others   | 102,152                 | 85,277                  |
| Operating leases rental in respect of land and buildings | 17,227                  | 17,498                  |
| Provision for doubtful debts                             | 1,449                   | 4,910                   |
| Loss on disposals of fixed assets                        | <u>176</u>              | <u>96</u>               |

### 4 Finance costs

|                                    | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Interest on bank overdrafts        | 227                     | 226                     |
| Interest element of finance leases | <u>75</u>               | <u>92</u>               |
|                                    | <u>302</u>              | <u>318</u>              |

## 5 Taxation

|                                      | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Hong Kong profits tax                |                         |                         |
| Provision for the year               | 4,923                   | 1,186                   |
| Under provision in prior years       | 1,760                   | —                       |
| Overseas taxation                    | 1,734                   | 1,787                   |
| Deferred taxation ( <i>note 19</i> ) | (535)                   | (657)                   |
|                                      | <u>7,882</u>            | <u>2,316</u>            |
| Share of taxation attributable to:   |                         |                         |
| Jointly controlled entities          | 19                      | 6                       |
| Associated companies                 | 2,695                   | 1,714                   |
|                                      | <u>10,596</u>           | <u>4,036</u>            |

Hong Kong profits tax has been provided at the rate of 16% (2000: 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.

Deferred taxation for the year has not been charged/(credited) to the consolidated profit and loss account in respect of the following:

|   | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Tax losses                                    | 4,400                   | 4,035                   |
| Timing differences on depreciation allowances | (227)                   | 151                     |
| Other timing differences                      | (544)                   | (180)                   |
|   | <u>3,629</u>            | <u>4,006</u>            |



## 6 Dividends

|   | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interim, paid, of HK3.0 cents (2000: HK2.5 cents)<br>per ordinary share     | 7,172                   | 5,961                   |
| Final, proposed, of HK10.0 cents (2000: HK10.0 cents)<br>per ordinary share | <u>23,905</u>           | <u>23,865</u>           |
|   | <u><u>31,077</u></u>    | <u><u>29,826</u></u>    |

## 7 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$70,158,000 (2000: HK\$65,948,000).

The basic earnings per share is calculated based on the weighted average of 238,917,523 (2000: 238,175,400) ordinary shares in issue during the year. The diluted earnings per share is calculated based on 239,798,372 (2000: 238,999,747) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 880,849 (2000: 824,347) dilutive potential ordinary shares under the Company's share option scheme.

## 8 Directors' and senior management's emoluments

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

|  | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Fees   | 60                      | 60                      |
| Basic salaries, allowances and<br>benefits in kind | 6,004                   | 8,206                   |
| Contributions to pension schemes                   | <u>74</u>               | <u>35</u>               |
|  | <u><u>6,138</u></u>     | <u><u>8,301</u></u>     |

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.

## 8 Directors' and senior management's emoluments (Continued)

The emoluments of the directors fell within the following bands:

| Emolument bands               | Number of directors |      |
|-------------------------------|---------------------|------|
|                               | 2001                | 2000 |
| HK\$Nil - HK\$1,000,000       | 3                   | 3    |
| HK\$1,500,001 - HK\$2,000,000 | 2                   | 1    |
| HK\$2,000,001 - HK\$2,500,000 | 1                   | 1    |
| 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 2000 and 2001.

- (b) The five individuals whose emoluments were the highest in the Group for the year include two (2000: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2000: two) individuals during the year are as follows:

|   | 2001         | 2000         |
|---|--------------|--------------|
|   | HK\$'000     | HK\$'000     |
| Basic salaries, allowances and benefits in kind | 5,759        | 2,240        |
| Contributions to pension schemes                | 104          | 104          |
| Performance bonuses                             | 2,769        | 3,048        |
|   | <u>8,632</u> | <u>5,392</u> |

Their emoluments fell within the following bands:

| Emolument bands               | Number of individuals |      |
|-------------------------------|-----------------------|------|
|                               | 2001                  | 2000 |
| HK\$2,500,001 - HK\$3,000,000 | 2                     | 2    |
| HK\$3,500,001 - HK\$4,000,000 | 1                     | —    |

## 9 Fixed assets

## (a) Group

|  | Leasehold<br>land and<br>buildings<br>in<br>Hong Kong<br><i>HK\$'000</i> | Leasehold<br>land and<br>buildings<br>outside<br>Hong Kong<br><i>HK\$'000</i> | Leasehold<br>improvements<br><i>HK\$'000</i> | Office<br>furniture<br>and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Computer<br>system<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|---|--|--|--------------------------------------|---------------------------------------|--------------------------|
| Cost or valuation  |  |   |  |  |                                      |                                       |                          |
| At 1st August 2000   | 70,900   | 8,939   | 4,860  | 14,986   | 6,195                                | 7,509                                 | 113,389                  |
| Additions  | —  | —   | 1,454  | 1,104  | 1,095                                | 826                                   | 4,479                    |
| Disposals  | (13,300)   | —   | (1,375)                                      | (2,353)  | (234)                                | (227)                                 | (17,489)                 |
| Exchange adjustment  | —  | —   | (35)   | (48)   | (68)                                 | (62)                                  | (213)                    |
| At 31st July 2001  | <u>57,600</u>  | <u>8,939</u>  | <u>4,904</u>                                 | <u>13,689</u>  | <u>6,988</u>                         | <u>8,046</u>                          | <u>100,166</u>           |
| Accumulated depreciation   |  |   |  |  |                                      |                                       |                          |
| At 1st August 2000   | —  | 1,236   | 3,015  | 8,815  | 3,745                                | 4,923                                 | 21,734                   |
| Charge for the year  | 1,363  | 261   | 947  | 2,068  | 877                                  | 1,321                                 | 6,837                    |
| Disposals  | (97)   | —   | (1,191)                                      | (2,087)  | (234)                                | (173)                                 | (3,782)                  |
| Exchange adjustment  | —  | —   | (16)   | (35)   | (36)                                 | (32)                                  | (119)                    |
| At 31st July 2001  | <u>1,266</u>   | <u>1,497</u>  | <u>2,755</u>                                 | <u>8,761</u>   | <u>4,352</u>                         | <u>6,039</u>                          | <u>24,670</u>            |
| Net book value   |  |   |  |  |                                      |                                       |                          |
| At 31st July 2001  | <u>56,334</u>  | <u>7,442</u>  | <u>2,149</u>                                 | <u>4,928</u>   | <u>2,636</u>                         | <u>2,007</u>                          | <u>75,496</u>            |
| At 31st July 2000  | <u>70,900</u>  | <u>7,703</u>  | <u>1,845</u>                                 | <u>6,171</u>   | <u>2,450</u>                         | <u>2,586</u>                          | <u>91,655</u>            |
| The analysis of the cost or valuation at 31st July 2001 of the above assets is as follows: |  |   |  |  |                                      |                                       |                          |
| At cost  | —  | 8,939   | 4,904  | 13,689   | 6,988                                | 8,046                                 | 42,566                   |
| At 2000 directors' valuation   | 57,600   | —   | —  | —  | —                                    | —                                     | 57,600                   |
|  | <u>57,600</u>  | <u>8,939</u>  | <u>4,904</u>                                 | <u>13,689</u>  | <u>6,988</u>                         | <u>8,046</u>                          | <u>100,166</u>           |

## 9 Fixed assets (Continued)

## (b) Company

|                                       | Office<br>equipment<br><i>HK\$'000</i> | Computer<br>system<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------------|--|---------------------------------------|--------------------------|
| Cost                                  |  |                                       |                          |
| At 1st August 2000 and 31st July 2001 | 8                                      | 21                                    | 29                       |
| Accumulated depreciation              |  |                                       |                          |
| At 1st August 2000                    | 8                                      | 13                                    | 21                       |
| Charge for the year                   | —                                      | 4                                     | 4                        |
| At 31st July 2001                     | 8                                      | 17                                    | 25                       |
| Net book value                        |  |                                       |                          |
| At 31st July 2001                     | —                                      | 4                                     | 4                        |
| At 31st July 2000                     | —                                      | 8                                     | 8                        |

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

|                                  | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| In Hong Kong, held on:           |                         |                         |
| Leases of between 10 to 50 years | 56,334                  | 70,900                  |
| Outside Hong Kong, held on:      |                         |                         |
| Leases of over 50 years          | 1,122                   | 1,140                   |
| Leases of between 10 to 50 years | 6,320                   | 4,547                   |
| Leases of less than 10 years     | —                       | 2,016                   |
|                                  | <u>63,776</u>           | <u>78,603</u>           |

- (ii) The carrying amount of leasehold land and buildings in Hong Kong would have been HK\$74,312,000 (2000: HK\$93,094,000) had they been stated at cost less accumulated depreciation.

## 9 Fixed assets (Continued)

- (iii) Leasehold land and buildings in Hong Kong have been pledged to banks to secure general banking facilities granted to the Group (note 22).
- (iv) At 31st July 2001, net book value of fixed assets held by the Group under finance leases amounted to HK\$1,135,000 (2000: HK\$1,015,000).

## 10 Investments in subsidiaries

|                              | Company          |                  |
|------------------------------|------------------|------------------|
|                              | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Unlisted shares, at cost     | 46,896           | 46,896           |
| Amount due from a subsidiary | 35,570           | 35,570           |
|                              | <u>82,466</u>    | <u>82,466</u>    |

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 26(a) to the accounts.

## 11 Investments in jointly controlled entities

|                      | Group            |                  |
|----------------------|------------------|------------------|
|                      | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Unlisted investments |                  |                  |
| Share of net assets  | 5,435            | 6,006            |
|                      | <u>5,435</u>     | <u>6,006</u>     |

Details of principal jointly controlled entities are set out in note 26(b) to the accounts.

## 12 Investments in associated companies

|                      | Group            |                  |
|----------------------|------------------|------------------|
|                      | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Unlisted investments |                  |                  |
| Share of net assets  | 41,913           | 32,727           |
|                      | <u>41,913</u>    | <u>32,727</u>    |
| Investments at cost  | 14,593           | 13,343           |
|                      | <u>14,593</u>    | <u>13,343</u>    |

## 12 Investments in associated companies (Continued)

Details of principal associated companies are set out in note 26(c) to the accounts.

A summary of the management financial information of a significant associated company, Wilson Freight (Far East) Limited, in which the Group has a 49.5% (2000: 49.5%) interest, are as follows:

|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
|--|------------------|------------------|
| Results for the year   |                  |                  |
| Turnover   | <u>338,453</u>   | <u>277,805</u>   |
| Operating profit before taxation   | 17,580           | 28,032           |
| — after depreciation charges on fixed assets of<br>HK\$1,951,000 (2000: HK\$1,486,000) |                  |                  |
| Taxation   | <u>(4,032)</u>   | <u>(1,844)</u>   |
| Profit for the year  | <u>13,548</u>    | <u>26,188</u>    |
| Dividends  | <u>—</u>         | <u>27,000</u>    |
| Net assets   |                  |                  |
| Fixed assets   | 5,689            | 6,927            |
| Current assets   | 94,919           | 78,159           |
| Current liabilities  | <u>(49,019)</u>  | <u>(46,966)</u>  |
|  | 51,589           | 38,120           |
| Long-term liabilities  | <u>(145)</u>     | <u>(224)</u>     |
|  | <u>51,444</u>    | <u>37,896</u>    |

## 13 Trade and other receivables

|                             | Group            |                  | Company          |                  |
|-----------------------------|------------------|------------------|------------------|------------------|
|                             | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Due from:                   |                  |                  |                  |                  |
| Subsidiaries                | —                | —                | 44,786           | 50,792           |
| A jointly controlled entity | 5,619            | 3,910            | —                | —                |
| Associated companies        | 10,055           | 14,621           | —                | —                |
| Related companies           | 374              | 428              | —                | —                |
| Minority shareholders       | 6                | 1,230            | —                | —                |
| Trade receivables           | 125,531          | 174,628          | —                | —                |
| Deposits and prepayments    | 25,611           | 24,271           | 130              | 196              |
|                             | <u>167,196</u>   | <u>219,088</u>   | <u>44,916</u>    | <u>50,988</u>    |

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

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

|                  | Group            |                  |
|------------------|------------------|------------------|
|                  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| 30 days or below | 76,296           | 101,032          |
| 31 - 60 days     | 34,749           | 49,165           |
| 61 - 90 days     | 12,850           | 17,105           |
| Over 90 days     | 17,690           | 27,515           |
|                  | <u>141,585</u>   | <u>194,817</u>   |

## 14 Other investments

|  | Group            |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Debt securities, listed outside Hong Kong, at market value | <u>3,900</u>     | <u>—</u>         |

## 15 Trade and other payables

|                                    | Group            |                  | Company          |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Due to:                            |                  |                  |                  |                  |
| Jointly controlled entities        | 4,058            | 4,392            | —                | —                |
| Associated companies               | 424              | 509              | —                | —                |
| Minority shareholders              | —                | 6,381            | —                | —                |
| Trade payables                     | 59,302           | 93,021           | —                | —                |
| Accrued charges and other payables | 82,265           | 76,658           | 1,814            | 498              |
|                                    | <u>146,049</u>   | <u>180,961</u>   | <u>1,814</u>     | <u>498</u>       |

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

|                  | Group            |                  |
|------------------|------------------|------------------|
|                  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| 30 days or below | 50,726           | 73,918           |
| 31 - 60 days     | 4,422            | 12,261           |
| 61 - 90 days     | 2,027            | 4,077            |
| Over 90 days     | 6,609            | 7,666            |
|                  | <u>63,784</u>    | <u>97,922</u>    |



## 16 Share capital

|                                  | <i>No. of shares</i>      | <i>HK\$'000</i>      |
|----------------------------------|---------------------------|----------------------|
| Authorised:                      |                           |                      |
| Ordinary shares of HK\$0.10 each |                           |                      |
| At 31st July 1999, 2000 and 2001 | 500,000,000               | 50,000               |
| Issued and fully paid:           |                           |                      |
| Ordinary shares of HK\$0.10 each |                           |                      |
| At 1st August 1999               | 237,400,400               | 23,740               |
| Exercise of options              | <u>1,250,000</u>          | <u>125</u>           |
| At 31st July 2000                | 238,650,400               | 23,865               |
| Exercise of options              | <u>400,000</u>            | <u>40</u>            |
| At 31st July 2001                | <u><u>239,050,400</u></u> | <u><u>23,905</u></u> |

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

| Date of grant   | Subscription<br>price<br>per share<br><i>HK\$</i> | Exercisable<br>period                  | Options<br>outstanding<br>at<br>1st August<br>2000 | Options<br>exercised<br>during<br>the year | Options<br>outstanding<br>at<br>31st July<br>2001 |
|-----------------|---|--|--|--|---|
| 13th March 1997 | 0.8336  | 1st July 1998 to<br>12th March 2003    | 700,000  | (150,000)                                  | 550,000   |
| 13th March 1997 | 0.8336  | 1st January 2001 to<br>12th March 2003 | <u>1,950,000</u>                                   | <u>(250,000)</u>                           | <u>1,700,000</u>                                  |
|                 |   |  | <u><u>2,650,000</u></u>                            | <u><u>(400,000)</u></u>                    | <u><u>2,250,000</u></u>                           |

## 17 Reserves

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Share premium account  |                  |                  |                  |                  |
| Balance brought forward  | 83,029           | 82,112           | 83,029           | 82,112           |
| Premium on issue of shares   | 294              | 917              | 294              | 917              |
| Balance carried forward  | <u>83,323</u>    | <u>83,029</u>    | <u>83,323</u>    | <u>83,029</u>    |
| Contributed surplus account  |                  |                  |                  |                  |
| Balance brought forward and carried forward  | <u>—</u>         | <u>—</u>         | <u>31,896</u>    | <u>31,896</u>    |
| Exchange fluctuation reserve   |                  |                  |                  |                  |
| Balance brought forward  | (589)            | (433)            | —                | —                |
| Exchange differences on translation of accounts of overseas subsidiaries, jointly controlled entities and associated companies | (220)            | (156)            | —                | —                |
| Balance carried forward  | <u>(809)</u>     | <u>(589)</u>     | <u>—</u>         | <u>—</u>         |
| Retained profits   |                  |                  |                  |                  |
| Balance brought forward  | 158,391          | 128,859          | 341              | 1,749            |
| Goodwill on acquisition of additional interest of subsidiaries   | (19,666)         | (6,590)          | —                | —                |
| Profit for the year  | 70,158           | 65,948           | 31,433           | 28,418           |
| Dividends (note 6)   | (31,077)         | (29,826)         | (31,077)         | (29,826)         |
| Balance carried forward  | <u>177,806</u>   | <u>158,391</u>   | <u>697</u>       | <u>341</u>       |
|  | <u>260,320</u>   | <u>240,831</u>   | <u>115,916</u>   | <u>115,266</u>   |

## 17 Reserves (Continued)

- (a) The contributed surplus of the Company represents the difference between the capitalisation 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.
- (b) Included in the Group's retained profits are accumulated losses of HK\$2,504,000 (2000: HK\$1,933,000) and retained profits of HK\$33,929,000 (2000: HK\$25,011,000) attributable to jointly controlled entities and associated companies respectively.
- (c) Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders subject to a solvency test. Accordingly, at 31st July 2001, the distributable reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$32,593,000 (2000: HK\$32,237,000).

## 18 Long-term liabilities

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2001            | 2000            |
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amounts due to minority shareholders     | 318             | 11,382          |
| Obligations under finance leases         | 857             | 909             |
|  | <u>1,175</u>    | <u>12,291</u>   |
| Current portion of long-term liabilities | (425)           | (424)           |
|  | <u>750</u>      | <u>11,867</u>   |

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

## 18 Long-term liabilities (Continued)

|  | Group            |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Minimum lease payment for finance leases |                  |                  |
| Within one year                          | 506              | 498              |
| In the second year                       | 234              | 564              |
| In the third to fifth year               | 256              | —                |
|  | <u>996</u>       | <u>1,062</u>     |
| Future finance charges                   | (139)            | (153)            |
|  | <u>857</u>       | <u>909</u>       |
| Present value of finance leases          | <u>857</u>       | <u>909</u>       |
| Representing:                            |                  |                  |
| Within one year                          | 425              | 424              |
| In the second year                       | 192              | 485              |
| In the third to fifth year               | 240              | —                |
|  | <u>857</u>       | <u>909</u>       |

## 19 Deferred taxation

|   | Group            |                  |
|---|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| At the beginning of the year                    | 742              | 1,409            |
| Transferred to profit and loss account (note 5) | (535)            | (657)            |
| Translation adjustments                         | (10)             | (10)             |
|   | <u>197</u>       | <u>742</u>       |
| At the end of the year                          | <u>197</u>       | <u>742</u>       |

## 19 Deferred taxation (Continued)

|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
|---|------------------|------------------|
| Provided for in respect of:   |                  |                  |
| Accelerated depreciation allowances   | <u>197</u>       | <u>742</u>       |
| The potential deferred tax assets/(liabilities) not accounted for in the accounts amounts to: |                  |                  |
| Tax losses  | 2,525            | 6,925            |
| Timing differences on depreciation allowances   | 36               | (191)            |
| Other timing differences  | <u>1,889</u>     | <u>1,345</u>     |
|   | <u>4,450</u>     | <u>8,079</u>     |

## 20 Notes to the consolidated cash flow statement

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

|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
|---|------------------|------------------|
| Operating profit  | 74,430           | 64,825           |
| Deficit on revaluation of leasehold land and buildings      | —                | 9,532            |
| Interest income   | (7,484)          | (5,490)          |
| Depreciation of owned fixed assets                          | 6,514            | 7,321            |
| Depreciation of leased fixed assets                         | 323              | 345              |
| Gain on deemed disposal of partial interest in a subsidiary | (235)            | —                |
| Loss on disposals of fixed assets                           | 176              | 96               |
| Decrease/(increase) in trade and other receivables          | 51,892           | (12,424)         |
| (Decrease)/increase in trade and other payables             | <u>(34,912)</u>  | <u>9,694</u>     |
| Net cash inflow from operating activities                   | <u>90,704</u>    | <u>73,899</u>    |

## 20 Notes to the consolidated cash flow statement (Continued)

## (b) Analysis of changes in financing during the year

|  | Share capital<br>including premium |                | Minority interests |               | Loans and obligations<br>under finance leases |               |
|--|------------------------------------|----------------|--------------------|---------------|---|---------------|
|  | 2001                               | 2000           | 2001               | 2000          | 2001  | 2000          |
|  | HK\$'000                           | HK\$'000       | HK\$'000           | HK\$'000      | HK\$'000                                      | HK\$'000      |
| At the beginning<br>of the year  | 106,894                            | 105,852        | 16,903             | 7,127         | 12,291  | 13,028        |
| Net cash inflow/(outflow)<br>from financing                                      | 334                                | 1,042          | 994                | 100           | (11,494)                                      | (1,747)       |
| Acquisition of additional<br>equity interest of<br>subsidiaries                  | —                                  | —              | (2,364)            | (149)         | —   | —             |
| Minority interests' share<br>of profit   | —                                  | —              | 6,966              | 13,017        | —   | —             |
| Dividends paid to<br>minority shareholders                                       | —                                  | —              | (4,762)            | (1,112)       | —   | —             |
| Inception of finance leases  | —                                  | —              | —                  | —             | 378   | 1,010         |
| Share of goodwill<br>on acquisition<br>of additional interest<br>in subsidiaries | —                                  | —              | —                  | (2,080)       | —   | —             |
| At the end of the year   | <u>107,228</u>                     | <u>106,894</u> | <u>17,737</u>      | <u>16,903</u> | <u>1,175</u>                                  | <u>12,291</u> |

## 21 Operating lease commitments

At 31st July 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

|                                   | Group                   |                         |
|-----------------------------------|-------------------------|-------------------------|
|                                   | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
| Within one year                   | 9,296                   | 12,431                  |
| In second to fifth year inclusive | 4,297                   | 4,511                   |
|                                   | 13,593                  | 16,942                  |

## 22 Banking facilities

At 31st July 2001, the Group had available banking facilities totalling HK\$57,681,000 (2000: HK\$67,908,000) secured by the following:

- (i) fixed deposits of HK\$2,550,000 (2000: 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 guarantee from the Company; and
- (iv) a negative pledge by a subsidiary.

At 31st July 2001, the above banking facilities were utilised to the extent of HK\$23,728,000 (2000: HK\$24,437,000) by the Group.

## 23 Contingent liabilities

- (a) At 31st July 2001, the Group has provided guarantees to banks in respect of banking facilities granted to associated companies amounting to HK\$7.5 million (2000: HK\$8.0 million) of which HK\$3.5 million (2000: HK\$6.0 million) have been utilised.
- (b) Pursuant to the sale and purchase agreement for the acquisition of an additional 20% equity interest in Fondair Express (HK) Limited ("Fondair") in December 2000, the consideration for the acquisition will be adjusted in the event that 20% of the Profit After Taxation as shown in the audited accounts of Fondair for the four consecutive financial years ending on 31st July 2004 exceeds HK\$18,000,000 in aggregate, each of the two vendors will be entitled to a total of 25% of the cumulative excess, subject to a maximum amount of HK\$15,000,000 for each of the vendors.

## 24 Related party transactions

During the year, the Group had the following material related party transactions carried out in the normal course of the Group business:

|                             | Note | Group            |                  |
|-----------------------------|------|------------------|------------------|
|                             |      | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Jointly controlled entities |      |                  |                  |
| Forwarding income received  | (a)  | 10,403           | 5,782            |
| Forwarding costs paid       | (a)  | <u>22,832</u>    | <u>8,497</u>     |
| Associated companies        |      |                  |                  |
| Forwarding income received  | (a)  | 66,459           | 71,157           |
| Forwarding costs paid       | (a)  | 14,056           | 12,166           |
| Management fee received     | (b)  | 1,004            | 5,258            |
| Warehousing income received | (b)  | <u>5,121</u>     | <u>4,804</u>     |

- (a) These transactions were conducted 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.

## 25 Subsequent events

- (a) On 14th September 2001, the Group purchased a property in Hong Kong at a consideration of HK\$40,000,000.
- (b) On 1st November 2001, the Group acquired 70% equity interest in a company incorporated in Canada, which is engaged in the provision of freight forwarding services, at a consideration of C\$6,440,000 (approximately HK\$31,660,000).



## 26 Principal subsidiaries, jointly controlled entities and associated companies

(a) Details of the principal subsidiaries of the Company at 31st July 2001 are as follows:

| Name                                  | Place of incorporation     | Principal activities                      | Particulars of issued ordinary share capital | Interest held |      |
|---------------------------------------|----------------------------|---|--|---------------|------|
|                                       |                            |   |  | 2001          | 2000 |
| Held directly:                        |                            |   |  |               |      |
| BALtrans International (BVI) Limited  | The British Virgin Islands | Investment holding                        | US\$130,000                                  | 100%          | 100% |
| 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                        | GBP100,000                                   | 100%          | 100% |
| * BALtrans Logistics 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 Logistics Limited            | Hong Kong                  | Investment holding and freight forwarding | HK\$5,000,000                                | 100%          | 100% |
| BALtrans Distribution Limited         | Hong Kong                  | Warehousing services                      | HK\$2,000,000                                | 78%           | 78%  |

## 26 Principal subsidiaries, jointly controlled entities and associated companies (Continued)

| Name  | Place of incorporation     | Principal activities              | Particulars of issued ordinary share capital | Interest held |       |
|---|----------------------------|-----------------------------------|--|---------------|-------|
|   |                            |                                   |  | 2001          | 2000  |
| * BALtrans Ocean Inc.                         | United States of America   | Freight forwarding                | US\$1,000                                    | 100%          | 100%  |
| BALtrans Logistics Inc.                       | United States of America   | Freight forwarding                | US\$1,000                                    | 100%          | 100%  |
| Carmen Services Limited                       | The British Virgin Islands | Freight forwarding agency         | US\$10,000                                   | 74%           | 74%   |
| Fondair Express (HK) Limited                  | Hong Kong                  | Freight forwarding                | HK\$1,000,000                                | 87.4%         | 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%          | 100%  |
| Supreme Freight Consolidators (Ocean) Limited | Hong Kong                  | Freight forwarding                | HK\$200,000                                  | 74%           | 74%   |
| Zimberly Limited                              | Hong Kong                  | Property holding                  | HK\$10,000                                   | 100%          | 100%  |
| BALtrans Exhibition & Removal Limited         | Hong Kong                  | Exhibition forwarding services    | HK\$1,000,000                                | 60%           | 60%   |
| Supreme Logistics Limited                     | Hong Kong                  | Warehousing and container drayage | HK\$500,000                                  | 74%           | 74%   |
| * BALtrans (Macau) Limited                    | Macau                      | Freight forwarding                | MOP1,000,000                                 | 70%           | 70%   |
| Radical Services Limited                      | The British Virgin Islands | Freight forwarding agency         | US\$10,000                                   | 87.4%         | 67.4% |

## 26 Principal subsidiaries, jointly controlled entities and associated companies (Continued)

| Name                                    | Place of incorporation     | Principal activities             | Particulars of issued ordinary share capital | Interest held |       |
|---|----------------------------|----------------------------------|--|---------------|-------|
|   |                            |                                  |  | 2001          | 2000  |
| Fondocean Express (HK) Limited          | Hong Kong                  | Freight forwarding               | HK\$2  | 87.4%         | 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.       | United States of America   | Freight forwarding               | US\$80,000                                   | 87.4%         | 67.4% |
| * Fond Express International (SFO) Inc. | United States of America   | Freight forwarding               | US\$70,000                                   | 87.4%         | 67.4% |
| * Helu-Trans (S) Pte. Limited           | Republic of Singapore      | Household and exhibition removal | S\$250,000                                   | 60%           | 60%   |
| * BALtrans Logistics (M) Sdn. Bhd.      | Malaysia                   | Freight forwarding               | RM600,000                                    | 100%          | 100%  |
| Muragawa Logistics Limited              | The British Virgin Islands | Freight forwarding               | US\$200,000                                  | 60%           | —     |

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

26 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*

(b) Details of the principal jointly controlled entities of the Group at 31st July 2001 are as follows:

| Name   | Incorporated/<br>unincorporated | Place of<br>operation/<br>incorporation | Principal<br>activities                | Percentage<br>of interest in<br>ownership |       |
|--|---------------------------------|---|--|---|-------|
|  |                                 |   |  | 2001                                      | 2000  |
| Interest held indirectly:                              |                                 |   |  |   |       |
| * Shanghai BALtrans<br>Exhibition & Removal<br>Limited | Incorporated                    | People's<br>Republic of<br>China        | Household and<br>exhibition<br>removal | 29.4%                                     | 29.4% |
| * BALtrans International<br>Cargo Limited              | Incorporated                    | People's<br>Republic of<br>China        | Freight<br>forwarding                  | 40%                                       | 40%   |

## 26 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*

(c) Details of the principal associated companies of the Group at 31st July 2001 are as follows:

| Name   | Place of incorporation | Principal activities | Interest held |       |
|--|------------------------|----------------------|---------------|-------|
|  |                        |                      | 2001          | 2000  |
| Held indirectly:                             |                        |                      |               |       |
| * BALtrans Logistics (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%           | 50%   |
| * BAL CAN Forwarding Inc.                    | Canada                 | Freight forwarding   | 49%           | 49%   |
| * Korchina Freight Pte Ltd.                  | Republic of Singapore  | Freight forwarding   | 50%           | 50%   |
| * PT NEWJAS BALtrans Indonesia               | Indonesia              | Freight forwarding   | 40%           | 40%   |

The above table includes the subsidiaries, jointly controlled entities and 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.

\* Companies not audited by PricewaterhouseCoopers.

## 27 Approval of accounts

The accounts were approved by the board of directors on 22nd November 2001.

**NOTICE IS HEREBY GIVEN** that the annual general meeting of BALtrans Holdings Limited (the "Company") will be held at Crystal Room, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on 28th December 2001 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st July 2001.
2. To declare a final dividend of Hong Kong 10.0 cents per share for the year ended 31st July 2001.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.

By Order of the Board  
**Jennifer Mei Ha CHEUNG**  
*Company Secretary*

Hong Kong, 22nd November 2001.

*Principal office:*

1st Floor  
Sunshine Kowloon Bay Cargo Centre  
59 Tai Yip Street  
Kowloon Bay  
Kowloon  
Hong Kong

*Notes:*

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) The register of members of the Company will be closed from 21st December 2001 to 28th December 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Abacus Share Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 20th December 2001.



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- ~ 意大利 ~ 荷蘭 ~ 挪威 ~ 葡萄牙 ~ 西班牙
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- Sri Lanka • Thailand • Vietnam

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- ~ 斯里蘭卡 ~ 泰國 ~ 越南





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**AFRICA**

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**非洲**

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- Australia • New Zealand

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