

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 <i>HK\$'000</i>	2000 <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 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 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 removal services	79,415	70,017	4,753	2,705
Trucking and warehousing services	35,812	29,006	3,908	1,027
Property letting	22	45	2	(89)
Deficit on revaluation of 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 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 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Crediting		
Net exchange gains	<u>1,622</u>	<u>729</u>
Charging		
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 <i>HK\$'000</i>	2000 <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 <i>HK\$'000</i>	2000 <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 <i>HK\$'000</i>	2000 <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 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim, paid, of HK3.0 cents (2000: HK2.5 cents) per ordinary share	7,172	5,961
Final, proposed, of HK10.0 cents (2000: HK10.0 cents) 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 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	60	60
Basic salaries, allowances and 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 land and buildings in Hong Kong <i>HK\$'000</i>	Leasehold land and buildings outside Hong Kong <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer system <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 equipment <i>HK\$'000</i>	Computer system <i>HK\$'000</i>	Total <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 <i>HK\$'000</i>	2000 <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 HK\$'000	2000 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 HK\$'000	2000 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 HK\$'000	2000 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 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
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 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 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 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 HK\$'000	2000 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 HK\$'000	2000 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 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 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 HK\$'000	2000 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 price per share <i>HK\$</i>	Exercisable period	Options outstanding at 1st August 2000	Options exercised during the year	Options outstanding at 31st July 2001
13th March 1997	0.8336	1st July 1998 to 12th March 2003	700,000	(150,000)	550,000
13th March 1997	0.8336	1st January 2001 to 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 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 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 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Amounts due to minority shareholders	318	11,382
Obligations under finance leases	<u>857</u>	<u>909</u>
	1,175	12,291
Current portion of long-term liabilities	<u>(425)</u>	<u>(424)</u>
	<u><u>750</u></u>	<u><u>11,867</u></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 HK\$'000	2000 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		
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 HK\$'000	2000 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		

19 Deferred taxation (Continued)

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
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 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
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 including premium		Minority interests		Loans and obligations under finance leases	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	106,894	105,852	16,903	7,127	12,291	13,028
Net cash inflow/(outflow) from financing	334	1,042	994	100	(11,494)	(1,747)
Acquisition of additional equity interest of subsidiaries	—	—	(2,364)	(149)	—	—
Minority interests' share of profit	—	—	6,966	13,017	—	—
Dividends paid to minority shareholders	—	—	(4,762)	(1,112)	—	—
Inception of finance leases	—	—	—	—	378	1,010
Share of goodwill on acquisition of additional interest 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 <i>HK\$'000</i>	2000 <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 HK\$'000	2000 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/ unincorporated	Place of operation/ incorporation	Principal activities	Percentage of interest in ownership	
				2001	2000
Interest held indirectly:					
* Shanghai BALtrans Exhibition & Removal Limited	Incorporated	People's Republic of China	Household and exhibition removal	29.4%	29.4%
* BALtrans International Cargo Limited	Incorporated	People's Republic of China	Freight forwarding	40%	40%

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.