

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties and 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 (“HKSA”).

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st July. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

The results of subsidiaries, associated companies and jointly controlled entities 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, as appropriate.

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 and negative goodwill not yet amortised or not previously charged or recognised in the consolidated profit and loss account together with any related accumulated foreign currency translation reserve.

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

(c) Subsidiaries

Subsidiaries are those entities in which the Group has the power to exercise control governing the financial and operating policies of the company. Investments in subsidiaries are stated in the Company's balance sheet at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(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 together with the relevant goodwill and negative goodwill (net of amortisation) on acquisition.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 together with the relevant goodwill and negative goodwill (net of amortisation) on acquisition.

(f) Goodwill and negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associated company and jointly controlled entity at the date of acquisition. Goodwill on acquisitions occurring on or after 1st August 2001 is included under intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions that occurred prior to 1st August 2001 was written off against reserves and such goodwill has not been retroactively capitalised and amortised.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions after 1st August 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately. For acquisitions prior to 1st August 2001, negative goodwill was taken directly to reserves on acquisition and such negative goodwill has not been restated.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) **Goodwill and negative goodwill** *(Continued)*

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(g) **Fixed assets**

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Fixed assets *(Continued)*

(ii) Leasehold land and buildings

Leasehold land and buildings held in Hong Kong are stated at valuation less subsequent accumulated depreciation and accumulated impairment losses. 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 and accumulated impairment losses.

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%.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Fixed assets *(Continued)*

(iii) Other fixed assets

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

(iv) Impairment

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(v) 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 relevant revaluation is transferred to retained profits and is shown as a movement in reserves.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) 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.

(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.

(i) 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.

(j) 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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) 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.

(n) 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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) 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, exhibition forwarding and household 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.

(p) 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.

(q) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format and business as the secondary reporting format.

Segment assets consist primarily of fixed assets, receivables and operating cash and investments in securities and exclude items such as goodwill. Segment liabilities comprise operating liabilities and exclude items such as taxation and minority interests. Capital expenditure comprises additions to goodwill (note 10) and fixed assets (note 9), including additions resulting from acquisitions through purchases of subsidiaries (note 9, 10 and 21).

NOTES TO THE ACCOUNTS

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:

	2002 HK\$'000	2001 HK\$'000
Turnover		
Revenue from rendering freight forwarding services		
Air freight	985,285	960,715
Sea freight	223,007	218,077
Exhibition forwarding and household removal services	75,940	79,415
Trucking and warehousing services	30,601	35,812
	<u>1,314,833</u>	<u>1,294,019</u>
Other revenues		
Property letting	460	22
Management fee	428	1,258
Interest income	1,932	7,484
	<u>2,820</u>	<u>8,764</u>
Total revenues	<u><u>1,317,653</u></u>	<u><u>1,302,783</u></u>

NOTES TO THE ACCOUNTS

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format — geographical segments

	Hong Kong 2002 HK\$'000	North America 2002 HK\$'000	Other Southeast Asia countries 2002 HK\$'000	Mainland China 2002 HK\$'000	Others 2002 HK\$'000	Group 2002 HK\$'000
Turnover	<u>815,221</u>	<u>328,294</u>	<u>164,292</u>	<u>6,362</u>	<u>664</u>	<u>1,314,833</u>
Segment results	<u>45,643</u>	<u>4,024</u>	<u>2,935</u>	<u>119</u>	<u>272</u>	52,993
Finance costs	(593)	—	(279)	—	—	(872)
Share of profits less losses of						
Jointly controlled entities	—	—	—	309	—	309
Associated companies	12,348	83	105	—	1,188	<u>13,724</u>
Profit before taxation						66,154
Taxation						(5,367)
Minority interests						<u>(4,960)</u>
Profit attributable to shareholders						<u>55,827</u>
Segment assets	360,913	83,246	47,034	7,443	2,562	501,198
Investments in jointly controlled entities	—	—	—	8,110	—	8,110
Investments in associated companies	48,002	498	1,502	—	2,351	52,353
Unallocated assets						<u>33,161</u>
Total assets						<u>594,822</u>
Segment liabilities	171,971	21,554	26,989	—	7,112	227,626
Unallocated liabilities						10,368
Minority interests						<u>21,078</u>
Total liabilities						<u>259,072</u>
Capital expenditure for						
Additions of fixed assets	49,934	595	1,948	21	33	52,531
Additions of fixed assets through acquisition of subsidiaries	61	183	—	—	—	244
Goodwill						35,940
Depreciation	5,160	876	1,578	264	5	7,883
Amortisation of goodwill						2,816

NOTES TO THE ACCOUNTS

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format — geographical segments (Continued)

	Hong Kong 2001 HK\$'000	North America 2001 HK\$'000	Other Southeast Asia countries 2001 HK\$'000	Mainland China 2001 HK\$'000	Others 2001 HK\$'000	Group 2001 HK\$'000
Turnover	<u>811,410</u>	<u>357,753</u>	<u>119,207</u>	<u>4,680</u>	<u>969</u>	<u>1,294,019</u>
Segment results	<u>64,645</u>	<u>8,156</u>	<u>917</u>	<u>25</u>	<u>687</u>	<u>74,430</u>
Finance costs	(150)	(4)	(148)	—	—	(302)
Share of profits less losses of Jointly controlled entities	—	—	—	(146)	—	(146)
Associated companies	12,516	101	382	—	739	<u>13,738</u>
Profit before taxation						87,720
Taxation						(10,596)
Minority interests						<u>(6,966)</u>
Profit attributable to shareholders						<u>70,158</u>
Segment assets	332,808	63,898	36,511	7,443	2,265	442,925
Investments in jointly controlled entities	—	—	—	5,435	—	5,435
Investments in associated companies	38,238	456	1,384	—	1,835	<u>41,913</u>
Total assets						<u>490,273</u>
Segment liabilities	113,368	15,414	20,109	—	4,923	153,814
Unallocated liabilities						10,592
Minority interests						<u>17,737</u>
Total liabilities						<u>182,143</u>
Capital expenditure for additions of fixed assets	2,345	666	1,457	11	—	4,479
Depreciation	4,262	865	1,429	277	4	6,837

The analysis of turnover by geographical segments 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.

NOTES TO THE ACCOUNTS

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format — business segments

	Turnover	Segment results	Total assets	Capital expenditure
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Air freight	985,285	35,343	313,038	23,047
Sea freight	223,007	10,353	79,381	9,155
Exhibition forwarding and household removal services	75,940	4,794	52,740	14,454
Trucking and warehousing services	<u>30,601</u>	2,503	<u>26,745</u>	1,496
	<u>1,314,833</u>	_____	471,904	
Operating profit		<u>52,993</u>		
Investments in jointly controlled entities			8,110	
Investments in associated companies			52,353	
Unallocated			62,455	<u>40,563</u>
			_____	<u>88,715</u>
Total assets			<u>594,822</u>	

NOTES TO THE ACCOUNTS

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

Secondary reporting format — business segments (Continued)

	Turnover	Segment results	Total assets	Capital expenditure
	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Air freight	960,715	55,752	285,925	2,783
Sea freight	218,077	10,017	71,241	721
Exhibition forwarding and household removal services	79,415	4,753	39,297	875
Trucking and warehousing services	<u>35,812</u>	3,908	<u>28,574</u>	100
	<u>1,294,019</u>		425,037	
Operating profit		<u>74,430</u>		
Investments in jointly controlled entities			5,435	
Investments in associated companies			41,913	
Unallocated			17,888	<u>—</u>
				<u>4,479</u>
Total assets			<u>490,273</u>	

NOTES TO THE ACCOUNTS

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2002 HK\$'000	2001 HK\$'000
Crediting		
Net exchange gains	<u>957</u>	<u>1,622</u>
Charging		
Amortisation of goodwill	2,816	—
Auditors' remuneration	1,426	1,393
Depreciation of owned fixed assets	7,524	6,514
Depreciation of leased fixed assets	359	323
Staff costs		
— Retirement benefit cost	5,274	4,347
— Others	104,676	102,152
Operating leases rental in respect of land and buildings	12,595	17,227
Provision for doubtful debts	173	1,449
Loss on disposals of fixed assets	<u>231</u>	<u>176</u>

4 FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank overdrafts	787	227
Interest element of finance leases	<u>85</u>	<u>75</u>
	<u>872</u>	<u>302</u>

NOTES TO THE ACCOUNTS

5 TAXATION

	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
Provision for the year	5,660	4,923
(Over)/under provision in prior years	(2,158)	1,760
Overseas taxation (credit)/charge	(34)	1,734
Deferred taxation (<i>note 20</i>)	19	(535)
	<u>3,487</u>	<u>7,882</u>
Share of taxation attributable to:		
Jointly controlled entities	4	19
Associated companies	1,876	2,695
	<u>5,367</u>	<u>10,596</u>

Hong Kong profits tax has been provided for at the rate of 16% (2001: 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:

	2002 HK\$'000	2001 HK\$'000
Tax losses	(1,616)	4,400
Timing differences on depreciation allowances	(9)	(227)
Other timing differences	1,033	(544)
	<u>(592)</u>	<u>3,629</u>

NOTES TO THE ACCOUNTS

6 DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
2002 interim, paid, of HK3.0 cents (2001: HK3.0 cents) per share	7,197	7,172
2001 final, paid, of HK10.0 cents (2001: 2000 final paid of HK10.0 cents) per share (<i>note (i)</i>)	<u>23,905</u>	<u>23,865</u>
	<u><u>31,102</u></u>	<u><u>31,037</u></u>

- (i) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st July 2000 and 2001 were HK\$23,865,000 and HK\$23,905,000 respectively. Under the Group's new accounting policy, these have been written back against opening reserves as at 1st August 2000 and 2001 in note 18 and are now charged in the period in which they were proposed and declared.
- (ii) At a meeting held on 14th November 2002, the directors declared a final dividend of HK10.0 cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st July 2003.

7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$55,827,000 (2001: HK\$70,158,000).

The basic earnings per share is calculated based on the weighted average of 239,936,975 (2001: 238,917,523) ordinary shares in issue during the year. The diluted earnings per share is calculated based on 239,987,036 (2001: 239,798,372) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 50,061 (2001: 880,849) dilutive potential ordinary shares under the Company's share option scheme.

NOTES TO THE ACCOUNTS

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:

	2002 HK\$'000	2001 HK\$'000
Fees	120	170
Basic salaries, allowances and benefits in kind	5,758	6,004
Contributions to pension schemes	41	74
	<u>5,919</u>	<u>6,248</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.

The emoluments of the directors fell within the following bands:

Emolument bands

	Number of directors	
	2002	2001
HK\$Nil — HK\$1,000,000	4	3
HK\$1,500,001 — HK\$2,000,000	2	2
HK\$2,000,001 — HK\$2,500,000	—	1
HK\$2,500,001 — HK\$3,000,000	1	—

No directors waived or agreed to waive their emoluments in respect of the years ended 31st July 2001 and 2002.

NOTES TO THE ACCOUNTS

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

- (b) The five individuals whose emoluments were the highest in the Group for the year include two (2001: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2001: three) individuals during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Basic salaries, allowances and other benefits in kind	6,305	5,759
Contributions to pension schemes	52	104
Performance bonuses		
Current	675	2,769
Underprovision in prior year	3,745	—
	<u>10,777</u>	<u>8,632</u>

Their emoluments fell within the following bands:

Emolument bands

	Number of individuals	
	2002	2001
HK\$1,500,001 — HK\$2,000,000	1	—
HK\$2,500,001 — HK\$3,000,000	—	2
HK\$3,500,001 — HK\$4,000,000	1	1
HK\$5,000,001 — HK\$5,500,000	1	—

NOTES TO THE ACCOUNTS

9 FIXED ASSETS

(a) Group

	Investment properties in Hong Kong HK\$'000	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold land and buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Computer system HK\$'000	Total HK\$'000
Cost or valuation								
At 1st August 2001	—	57,600	8,939	4,904	13,689	6,988	8,046	100,166
Acquisition of subsidiaries	—	—	—	78	116	—	90	284
Additions	4,623	37,408	—	5,783	2,629	496	1,592	52,531
Disposals	—	—	—	(2,028)	(2,280)	(351)	(2,414)	(7,073)
Exchange adjustment	—	—	—	22	15	45	37	119
At 31st July 2002	<u>4,623</u>	<u>95,008</u>	<u>8,939</u>	<u>8,759</u>	<u>14,169</u>	<u>7,178</u>	<u>7,351</u>	<u>146,027</u>
Accumulated depreciation								
At 1st August 2001	—	1,266	1,497	2,755	8,761	4,352	6,039	24,670
Acquisition of subsidiaries	—	—	—	—	40	—	—	40
Charge for the year	—	1,948	282	1,336	1,705	1,080	1,532	7,883
Disposals	—	—	—	(1,501)	(1,662)	(183)	(2,306)	(5,652)
Exchange adjustment	—	—	—	13	13	24	19	69
At 31st July 2002	<u>—</u>	<u>3,214</u>	<u>1,779</u>	<u>2,603</u>	<u>8,857</u>	<u>5,273</u>	<u>5,284</u>	<u>27,010</u>
Net book value								
At 31st July 2002	<u>4,623</u>	<u>91,794</u>	<u>7,160</u>	<u>6,156</u>	<u>5,312</u>	<u>1,905</u>	<u>2,067</u>	<u>119,017</u>
At 31st July 2001	<u>—</u>	<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>

NOTES TO THE ACCOUNTS

9 FIXED ASSETS (Continued)

(a) Group (Continued)

The analysis of the cost or valuation at 31st July 2002 of the above assets is as follows:

	Investment properties in Hong Kong HK\$'000	Leasehold land and buildings in Hong Kong HK\$'000	Leasehold land and buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Office furniture and equipment HK\$'000	Motor vehicles HK\$'000	Computer system HK\$'000	Total HK\$'000
At cost	—	—	8,939	8,759	14,169	7,178	7,351	46,396
At 2002 directors' valuation	—	95,008	—	—	—	—	—	95,008
At 2002 professional valuation	4,623	—	—	—	—	—	—	4,623
	<u>4,623</u>	<u>95,008</u>	<u>8,939</u>	<u>8,759</u>	<u>14,169</u>	<u>7,178</u>	<u>7,351</u>	<u>146,027</u>

(b) Company

	Office equipment HK\$'000	Computer system HK\$'000	Total HK\$'000
Cost			
At 1st August 2001 and 31st July 2002	8	21	29
Accumulated depreciation			
At 1st August 2001	8	17	25
Charge for the year	—	4	4
At 31st July 2002	8	21	29
Net book value			
At 31st July 2002	—	—	—
At 31st July 2001	—	4	4

NOTES TO THE ACCOUNTS

9 FIXED ASSETS (Continued)

- (i) Investment properties in Hong Kong were revalued at 31st July 2002 on the basis of their open market value by an independent professional valuer, Jones Lang LaSalle Limited.
- (ii) Investment properties and leasehold land and buildings in Hong Kong have been pledged to banks to secure general banking facilities granted to the Group (*note 23*) and the Group's long term bank loan (*note 19*).
- (iii) The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	2002	2001
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	41,349	—
Leases of between 10 to 50 years	55,068	56,334
Outside Hong Kong, held on:		
Leases of over 50 years	1,104	1,122
Leases of between 10 to 50 years	6,056	6,320
	<u>103,577</u>	<u>63,776</u>

- (iv) The carrying amount of leasehold land and buildings in Hong Kong would have been HK\$109,303,000 (2001: HK\$74,312,000) had they been stated at cost less accumulated depreciation.
- (v) At 31st July 2002, net book value of fixed assets held by the Group under finance leases amounted to HK\$848,000 (2001: HK\$1,135,000).

NOTES TO THE ACCOUNTS

10 GOODWILL

	2002 HK\$'000	2001 HK\$'000
Acquisition of subsidiaries (note 21(c))	34,049	—
Acquisition of business	1,891	—
Exchange adjustment	37	—
Amortisation charge (note 3)	<u>(2,816)</u>	<u>—</u>
	<u>33,161</u>	<u>—</u>
At 31st July		
Cost	35,940	—
Accumulated amortisation	(2,816)	—
Exchange adjustment	<u>37</u>	<u>—</u>
Net book amount	<u>33,161</u>	<u>—</u>

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	46,896	46,896
Loan to a subsidiary	<u>36,638</u>	<u>35,570</u>
	<u>83,534</u>	<u>82,466</u>

The loan to a subsidiary is unsecured, interest bearing at prevailing market rate and not repayable within the next twelve months.

Details of principal subsidiaries of the Group are set out in note 26(a) to the accounts.

NOTES TO THE ACCOUNTS

11 INVESTMENTS IN SUBSIDIARIES (Continued)

- (a) In October 2000, the Group acquired an additional 20% equity interests in Fondair Express (HK) Limited ("Fondair") at a consideration of HK\$19,276,000. The consideration for the acquisition will be adjusted in favour of the vendors 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 million in aggregate. Each of the two vendors will then be entitled to a total of 25% of the cumulative excess, subject to a maximum amount of HK\$15 million for each of the vendors (note 24(b)).

The vendors also undertake to pay to the Group for any shortfall in profit, in the event that 20% of the profit after taxation as shown in the audited accounts of Fondair for each of the four financial years ending on 31st July 2004 is less than HK\$3,825,000 or if 20% of the aggregate profit after taxation as shown in the audited accounts of Fondair for the four consecutive financial years ending on 31st July 2004 is less than HK\$18 million. The shortfall received by the Group during the year was HK\$1,102,000, which was credited to reserve (note 18).

- (b) In November 2001, the Group acquired 100% equity interests in Corporate Century Company Ltd. ("Corporate Century") which in turn holds 70% equity interests in BALtrans Logistics (Canada) Ltd. ("BALtrans Canada") at a consideration of C\$6,440,000 with contingent consideration payable in 2007 and 2008. An initial consideration of C\$3,864,000 was paid upon completion of the transaction. The remaining consideration of C\$2,576,000 (approximately HK\$12,674,000) (note 19) is payable by four equal annual instalments commencing in 2003. The contingent consideration payable in 2007 and 2008 shall be one half of the amount, if any, by which net profit after tax of BALtrans Canada for each of the financial years ending on 31st October 2006 and 31st October 2007 exceeds C\$1,840,000 (note 24(c)).

The vendors undertake to pay to the Group in respect of each of the financial years ending on 31st October in 2002, 2003, 2004 and 2005 an amount equal to any amount by which 70% of the net profit after tax for that financial year is less than C\$1,288,000 but provided that in no event shall the aggregate amount of all payments under this profit guarantee arrangement exceeds C\$5,152,000.

NOTES TO THE ACCOUNTS

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments		
Share of net assets	<u>8,110</u>	<u>5,435</u>

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

13 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments		
Share of net assets	<u>52,353</u>	<u>41,913</u>
Investments at cost	<u>14,565</u>	<u>14,593</u>

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

NOTES TO THE ACCOUNTS

13 INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

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% (2001: 49.5%) interest, are as follows:

	2002 HK\$'000	2001 HK\$'000
Results		
Turnover	<u>287,680</u>	<u>338,453</u>
Operating profit before taxation	15,455	17,580
— after depreciation charges on fixed assets of HK\$1,937,000 (2001: HK\$1,951,000)		
Taxation	<u>(2,163)</u>	<u>(4,032)</u>
Profit for the year	<u>13,292</u>	<u>13,548</u>
Dividends	<u>—</u>	<u>—</u>
Net assets		
Fixed assets	4,356	5,689
Current assets	112,174	94,919
Current liabilities	<u>(51,570)</u>	<u>(49,019)</u>
	64,960	51,589
Long-term liabilities	<u>(224)</u>	<u>(145)</u>
	<u>64,736</u>	<u>51,444</u>

NOTES TO THE ACCOUNTS

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from:				
Subsidiaries	—	—	51,588	44,786
A jointly controlled entity	7,532	5,619	—	—
Associated companies	5,760	10,055	—	—
Related companies	1,203	374	—	—
Minority shareholders	—	6	—	—
Trade receivables	187,832	125,531	—	—
	<u>202,327</u>	<u>141,585</u>	<u>51,588</u>	<u>44,786</u>
Deposits and prepayments	51,422	25,611	133	130
	<u>253,749</u>	<u>167,196</u>	<u>51,721</u>	<u>44,916</u>

The credit terms given to trade customers are determined on an individual basis, with credit period ranging from one month to three 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	
	2002	2001
	HK\$'000	HK\$'000
30 days or below	119,453	76,296
31 - 60 days	53,295	34,749
61 - 90 days	22,995	12,850
Over 90 days	6,584	17,690
	<u>202,327</u>	<u>141,585</u>

NOTES TO THE ACCOUNTS

15 OTHER INVESTMENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Debt securities, listed outside Hong Kong, at market value	<u>4,304</u>	<u>3,900</u>

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to:				
Jointly controlled entities	5,569	4,058	—	—
Associated companies	156	424	—	—
Trade payables	<u>88,821</u>	<u>59,302</u>	<u>—</u>	<u>—</u>
	94,546	63,784	—	—
Accrued charges and other payables	<u>81,346</u>	<u>82,265</u>	<u>1,615</u>	<u>1,814</u>
	<u>175,892</u>	<u>146,049</u>	<u>1,615</u>	<u>1,814</u>

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
30 days or below	71,289	50,726
31 - 60 days	12,793	4,422
61 - 90 days	1,144	2,027
Over 90 days	<u>9,320</u>	<u>6,609</u>
	<u>94,546</u>	<u>63,784</u>

NOTES TO THE ACCOUNTS

17 SHARE CAPITAL

	No. of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31st July 2000, 2001 and 2002	500,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 31st July 2000	238,650,400	23,865
Exercise of options	400,000	40
At 31st July 2001	239,050,400	23,905
Exercise of options	2,150,000	215
At 31st July 2002	241,200,400	24,120

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

Date of grant	Subscription price per share HK\$	Exercisable period	Options outstanding at 1st August 2001	Options exercised during the year	Options outstanding at 31st July 2002
13th March 1997	0.8336	1st July 1998 to 12th March 2003	550,000	(500,000)	50,000
13th March 1997	0.8336	1st January 2001 to 12th March 2003	1,700,000	(1,650,000)	50,000
			<u>2,250,000</u>	<u>(2,150,000)</u>	<u>100,000</u>

NOTES TO THE ACCOUNTS

18 RESERVES

Group

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2001, as previously reported	83,323	(809)	177,806	260,320
Effect of adopting SSAP 9 (revised)	—	—	23,905	23,905
At 1st August 2001, as restated	83,323	(809)	201,711	284,225
Premium on issue of shares	1,577	—	—	1,577
Exchange differences	—	1	—	1
Profit guarantee received in relation to goodwill previously written off against retained profits (<i>note 11(a)</i>)	—	—	1,102	1,102
Profit for the year	—	—	55,827	55,827
2001 final dividend paid (<i>note 6</i>)	—	—	(23,905)	(23,905)
2002 interim dividend paid (<i>note 6</i>)	—	—	(7,197)	(7,197)
At 31st July 2002	<u>84,900</u>	<u>(808)</u>	<u>227,538</u>	<u>311,630</u>
Representing:				
Reserves				287,510
2002 proposed final dividend				<u>24,120</u>
				<u>311,630</u>

NOTES TO THE ACCOUNTS

18 RESERVES (Continued)

Group (Continued)

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2000, as previously reported	83,029	(589)	158,391	240,831
Effect of adopting SSAP 9 (revised)	—	—	23,865	23,865
At 1st August 2000, as restated	83,029	(589)	182,256	264,696
Premium on issue of shares	294	—	—	294
Exchange differences	—	(220)	—	(220)
Goodwill on acquisition of additional interest of subsidiaries	—	—	(19,666)	(19,666)
Profit for the year	—	—	70,158	70,158
2000 final dividend paid (note 6)	—	—	(23,865)	(23,865)
2001 interim dividend paid (note 6)	—	—	(7,172)	(7,172)
At 31st July 2001	<u>83,323</u>	<u>(809)</u>	<u>201,711</u>	<u>284,225</u>
Representing:				
Reserves				260,320
2001 proposed final dividend				<u>23,905</u>
				<u>284,225</u>

NOTES TO THE ACCOUNTS

18 RESERVES (Continued)

Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2001, as previously reported	83,323	31,896	697	115,916
Effect of adopting SSAP 9 (revised)	—	—	23,905	23,905
At 1st August 2001, as restated	83,323	31,896	24,602	139,821
Premium on issue of shares	1,577	—	—	1,577
Profit for the year	—	—	31,903	31,903
2001 final dividend paid (note 6)	—	—	(23,905)	(23,905)
2002 interim dividend paid (note 6)	—	—	(7,197)	(7,197)
At 31st July 2002	<u>84,900</u>	<u>31,896</u>	<u>25,403</u>	<u>142,199</u>
Representing:				
Reserves				118,079
2002 proposed final dividend				<u>24,120</u>
				<u>142,199</u>

NOTES TO THE ACCOUNTS

18 RESERVES (Continued)

Company (Continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2000, as previously reported	83,029	31,896	341	115,266
Effect of adopting SSAP 9 (revised)	—	—	23,865	23,865
At 1st August 2000, as restated	83,029	31,896	24,206	139,131
Premium on issue of shares	294	—	—	294
Profit for the year	—	—	31,433	31,433
2000 final dividend paid (note 6)	—	—	(23,865)	(23,865)
2001 interim dividend paid (note 6)	—	—	(7,172)	(7,172)
At 31st July 2001	<u>83,323</u>	<u>31,896</u>	<u>24,602</u>	<u>139,821</u>
Representing:				
Reserves				115,916
2001 proposed final dividend				<u>23,905</u>
				<u>139,821</u>

- (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\$2,199,000 (2001: HK\$2,504,000) and retained profits of HK\$44,368,000 (2001: HK\$33,929,000) attributable to jointly controlled entities and associated companies respectively.

NOTES TO THE ACCOUNTS

18 RESERVES (Continued)

- (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 2002, the distributable reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$33,179,000 (2001: HK\$32,593,000).

19 LONG-TERM LIABILITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Deferred consideration payable (<i>note 11(b)</i>)	12,674	—
Amounts due to minority shareholders (<i>note a</i>)	1,552	318
Obligations under finance leases (<i>note b</i>)	466	857
Secured bank loan not wholly repayable within five years (<i>note c</i>)	25,336	—
	<u>40,028</u>	<u>1,175</u>
Current portion of long-term liabilities	<u>(7,382)</u>	<u>(425)</u>
	<u><u>32,646</u></u>	<u><u>750</u></u>

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

NOTES TO THE ACCOUNTS

19 LONG-TERM LIABILITIES (Continued)

(b) Minimum lease payments for finance leases

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	257	506
In the second year	100	234
In the third to fifth year	170	256
	<u>527</u>	<u>996</u>
Future finance charges	(61)	(139)
	<u>466</u>	<u>857</u>
Present value of finance leases	<u>466</u>	<u>857</u>
Representing:		
Within one year	217	425
In the second year	87	192
In the third to fifth year	162	240
	<u>466</u>	<u>857</u>

NOTES TO THE ACCOUNTS

19 LONG-TERM LIABILITIES (Continued)

(c) At 31st July 2002, the Group's bank loan was repayable as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	3,996	—
In the second year	3,996	—
In the third to fifth year	11,988	—
After the fifth year	5,356	—
	<u>25,336</u>	<u>—</u>

20 DEFERRED TAXATION

	Group	
	2002	2001
	HK\$'000	HK\$'000
At the beginning of the year	197	742
Transferred to profit and loss account (<i>note 5</i>)	19	(535)
Acquisition of a subsidiary	8	—
Translation adjustments	6	(10)
	<u>230</u>	<u>197</u>
At the end of the year		
Provided for in respect of:		
Accelerated depreciation allowances	<u>230</u>	<u>197</u>

NOTES TO THE ACCOUNTS

20 DEFERRED TAXATION (Continued)

The potential deferred tax assets not accounted for in the accounts amounts to:

	2002	2001
	HK\$'000	HK\$'000
Tax losses	4,141	2,525
Timing differences on depreciation allowances	45	36
Other timing differences	856	1,889
	<u>5,042</u>	<u>4,450</u>

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK\$'000	HK\$'000
Operating profit	52,993	74,430
Interest income	(1,932)	(7,484)
Amortisation on goodwill	2,816	—
Depreciation of owned fixed assets	7,524	6,514
Depreciation of leased fixed assets	359	323
Gain on deemed disposal of partial interest in a subsidiary	—	(235)
Loss on disposals of fixed assets	231	176
(Increase)/decrease in trade and other receivables	(76,799)	51,892
Increase/(decrease) in trade and other payables	24,718	(34,912)
	<u>9,910</u>	<u>90,704</u>

NOTES TO THE ACCOUNTS

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital		Loans and obligations			
	including premium		Minority interests		under finance leases	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	107,228	106,894	17,737	16,903	1,175	12,291
Net cash inflow/(outflow)						
from financing	1,792	334	(351)	994	27,890	(11,494)
Acquisition of additional equity						
interest of subsidiaries	—	—	—	(2,364)	—	—
Minority interests'						
share of profit	—	—	4,960	6,966	—	—
Dividends paid to minority						
shareholders	—	—	(2,448)	(4,762)	—	—
Inception of finance leases	—	—	—	—	61	378
Purchase of a subsidiary	—	—	1,180	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the year	109,020	107,228	21,078	17,737	29,126	1,175

NOTES TO THE ACCOUNTS

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	244	—
Trade and other receivables	8,653	—
Cash and bank balances	899	—
Trade and other payables	(5,125)	—
Taxation payable	(270)	—
Deferred taxation	(8)	—
Minority interests	(1,180)	—
	<u>3,213</u>	<u>—</u>
Interest originally held by the Group as an associated company	(1,174)	—
	<u>2,039</u>	<u>—</u>
Goodwill (note 10)	34,049	—
	<u>36,088</u>	<u>—</u>
Purchase consideration	36,088	—
Less: deferred consideration payable (note 19)	(12,674)	—
	<u>23,414</u>	<u>—</u>
Satisfied by cash	23,414	—
	<u>899</u>	<u>—</u>
Cash and bank balances acquired	899	—
Cash consideration	(23,414)	—
	<u>(22,515)</u>	<u>—</u>
Net cash outflow in respect of acquisition of subsidiaries	<u>(22,515)</u>	<u>—</u>

NOTES TO THE ACCOUNTS

22 COMMITMENTS

(a) Capital commitments

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	<u>7,223</u>	<u>—</u>

The Group has entered into two sale and purchase agreements for joint ventures in Qingdao and Xiamen respectively. Pursuant to these agreements, the Group is committed to pay a total consideration of HK\$7,223,000 between 2003 and 2006.

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2002 HK\$'000	2001 HK\$'000
Not later than one year	6,501	9,296
Later than one year and not later than five years	2,386	4,297
Later than five years	<u>58</u>	<u>—</u>
	<u>8,945</u>	<u>13,593</u>

NOTES TO THE ACCOUNTS

22 COMMITMENTS (Continued)

(c) Future operating lease receivables

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	2002 HK\$'000	2001 HK\$'000
Not later than one year	517	—
Later than one year and not later than five years	<u>137</u>	<u>—</u>
	<u><u>654</u></u>	<u><u>—</u></u>

(d) Other commitments

	Group	
	2002 HK\$'000	2001 HK\$'000
Foreign exchange forward contract	<u>15,618</u>	<u>—</u>

23 BANKING FACILITIES

At 31st July 2002, the Group had available banking facilities totalling HK\$96,799,000 (2001: HK\$57,681,000) secured by the following:

- (i) fixed deposits of HK\$2,272,000 (2001: HK\$2,550,000) of the Group;
- (ii) first legal charges on the investment properties and leasehold land and buildings in Hong Kong held by the Group;

NOTES TO THE ACCOUNTS

23 BANKING FACILITIES *(Continued)*

- (iii) corporate guarantee from the Company; and
- (iv) a negative pledge by a subsidiary.

At 31st July 2002, the above banking facilities were utilised to the extent of HK\$61,694,000 (2001: HK\$23,728,000) by the Group.

24 CONTINGENT LIABILITIES

- (a) At 31st July 2002, the Group has provided guarantees to banks in respect of banking facilities granted to associated companies amounting to HK\$7.5 million (2001: HK\$7.5 million) of which HK\$1.5 million (2001: HK\$3.5 million) have been utilised.

At 31st July 2002, the Group has provided guarantees to an airline company for credit facilities of a third party amounting to HK\$1.0 million (2001: Nil) which have been fully utilised.

- (b) The Group has contingent consideration payable in relation to the acquisition of an additional 20% equity interests in Fondair as described in note 11(a) to the accounts.
- (c) The Group has contingent consideration payable in relation to the acquisition of Corporate Century and BALtrans Canada as described in note 11(b) to the accounts.

NOTES TO THE ACCOUNTS

25 RELATED PARTY TRANSACTIONS

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

		2002	2001
	<i>Note</i>	HK\$'000	HK\$'000
Jointly controlled entities			
Forwarding income received	<i>(a)</i>	3,946	10,403
Forwarding costs paid	<i>(a)</i>	<u>14,867</u>	<u>22,832</u>
Associated companies			
Forwarding income received	<i>(a)</i>	54,570	66,459
Forwarding costs paid	<i>(a)</i>	11,016	14,056
Management fee received	<i>(b)</i>	222	1,004
Warehousing income received	<i>(b)</i>	<u>4,628</u>	<u>5,121</u>

(a) These transactions were conducted at terms similar to those applicable to transactions with unrelated parties.

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

NOTES TO THE ACCOUNTS

26 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(a) Details of the principal subsidiaries of the Company at 31st July 2002 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued ordinary share capital	Interest held	
				2002	2001
<i>Held directly:</i>					
BALtrans International (BVI) Limited	The British Virgin Islands	Investment holding	US\$130,000	100%	100%
<i>Held indirectly:</i>					
* 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 Logistics (Canada) Limited	Canada	Freight forwarding	C\$100	70%	—

NOTES TO THE ACCOUNTS

26 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

Name	Place of incorporation	Principal activities	Particulars of issued ordinary share capital	Interest held	
				2002	2001
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 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%
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%

NOTES TO THE ACCOUNTS

26 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

Name	Place of incorporation	Principal activities	Particulars of issued ordinary share capital	Interest held	
				2002	2001
Zimbery 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%	87.4%
Fond Express Logistics Limited	Hong Kong	Freight forwarding	HK\$1,000,000	87.4%	87.4%
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 Logistics Inc.	United States of America	Freight forwarding	US\$80,000	87.4%	87.4%

NOTES TO THE ACCOUNTS

26 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

Name	Place of incorporation	Principal activities	Particulars of issued ordinary share capital	Interest held	
				2002	2001
* Fond Express International (SFO) Inc.	United States of America	Freight forwarding	US\$70,000	87.4%	87.4%
* Helu-Trans (S) Pte. Limited	Republic of Singapore	Household removal and fine art packing	S\$250,000	60%	60%
* BALtrans Logistics (M) Sdn. Bhd.	Malaysia	Freight forwarding	RM600,000	100%	100%
Muragawa Logistics Limited	Hong Kong	Freight forwarding	HK\$1,500,000	60%	—

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

(b) Details of the principal jointly controlled entities of the Group at 31st July 2002 are as follows:

Name	Incorporated/ unincorporated	Place of operation/ incorporation	Principal activities	Interest held	
				2002	2001
<i>Interest held indirectly:</i>					
* Shanghai BALtrans Exhibition & Removal Limited	Incorporated	People's Republic of China	Exhibition forwarding and household removal	29.4%	29.4%
* BALtrans International Cargo Limited	Incorporated	People's Republic of China	Freight forwarding	40%	40%

NOTES TO THE ACCOUNTS

26 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

(c) Details of the principal associated companies of the Group at 31st July 2002 are as follows:

Name	Place of incorporation	Principal activities	Interest held	
			2002	2001
<i>Shares held indirectly:</i>				
* 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 i-Logistics BALtrans Indonesia (formerly 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 14th November 2002.