

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 in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and leasehold land and buildings are stated at valuation.

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 2002:

| | | |
|-------------------|---|--------------------------------------|
| SSAP 1 (revised) | : | Presentation of financial statements |
| SSAP 11 (revised) | : | Foreign currency translation |
| SSAP 15 (revised) | : | Cash flow statements |
| SSAP 34 | : | Employee benefits |

The adoption of these revised standards has no significant impact to the accounts for the year except for the inclusion of the consolidated statement of changes in equity and other presentational changes.

(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.

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, an associated company or a jointly controlled entity 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.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(b) Basis of consolidation** *(Continued)*

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 Company, directly or indirectly, control more than one half of the voting power; has the power to govern the financial and operating policies; or to appoint or remove the majority of the members of the board of directors. 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 dividends received and receivable.

(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.

(e) Associated companies

Investments in associated companies, which are accounted for by the equity method of accounting, are companies over which the Group has an equity interest and over which the Group has significant influence.

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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(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 five to ten years. Goodwill on acquisitions that occurred prior to 1st August 2001 was taken directly to 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.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously taken directly to reserves, is assessed and written down immediately to its recoverable amount and the impairment loss is charged to the profit and loss account.

(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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)**(g) Fixed assets** (Continued)*(i) Investment properties (Continued)*

Investment properties held on leases with unexpired periods of more than 20 years carried at valuation by independent valuers on an open market value basis related to individual properties and separate values are not attributed to land and buildings. 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.

(ii) Leasehold land and buildings

Leasehold land and buildings 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.

The directors review periodically the carrying value of leasehold land and buildings 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.

Amortisation of leasehold land is calculated to write off their 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 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)***(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 equipment | 20 — 50% |

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 reserve (apart from revaluation reserve on investment properties as set out under note 1(g)(i)) is transferred directly to retained profits and is shown as a movement in reserves.

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.

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 there is 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 a provision is expected 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 balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(o) Revenue recognition**

- (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) Revenue from the letting of property are recognised on a straight-line basis over the period of the lease.
- (vi) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(p) Employee benefits*(i) Employee leave and long service entitlements*

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a number of defined benefit and defined contribution pension schemes, the assets of which are generally held in separate trustee-administered funds. The pension schemes are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)***(p) Employee benefits** *(Continued)**(ii) Pension obligations (Continued)*

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For defined benefit pension scheme, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the pension scheme each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates with reference to the yields of government bonds. Actuarial gains and losses are recognised over the average remaining service lives of the employees.

(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 other investments, and mainly exclude goodwill. Segment liabilities comprise operating liabilities and mainly exclude items such as current and deferred tax liabilities, amounts due to minority shareholders and minority interests. Capital expenditure comprises additions to fixed assets (note 11), including additions resulting from acquisitions through purchases of subsidiaries (note 11 and 24).

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:

| | 2003 | 2002 |
|------------------------------------------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Revenue from rendering freight forwarding services | | |
| Air freight | 1,372,197 | 985,285 |
| Sea freight | 862,366 | 223,007 |
| Exhibition forwarding and household removal services | 81,461 | 75,940 |
| Trucking and warehousing services | 65,916 | 30,601 |
| | 2,381,940 | 1,314,833 |
| | ----- | ----- |
| Other revenues | | |
| Property letting | 812 | 460 |
| Management fee | 269 | 428 |
| Interest income | 861 | 1,932 |
| | 1,942 | 2,820 |
| | ----- | ----- |
| Total revenues | 2,383,882 | 1,317,653 |
| | ===== | ===== |

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

Primary reporting format — geographical segments

| | Hong Kong and Mainland China HK\$'000 | North America HK\$'000 | Southeast Asia HK\$'000 | Europe HK\$'000 | Elimination HK\$'000 | Group HK\$'000 |
|-------------------------------------------------------------|------------------------------------------------|------------------------------|-------------------------------|--------------------|-------------------------|-------------------|
| 2003 | | | | | | |
| Turnover | | | | | | |
| External | 1,142,299 | 612,441 | 399,623 | 227,577 | — | 2,381,940 |
| Inter-segment | 327,577 | 77,966 | 84,223 | 10,693 | (500,459) | — |
| Total | <u>1,469,876</u> | <u>690,407</u> | <u>483,846</u> | <u>238,270</u> | <u>(500,459)</u> | <u>2,381,940</u> |
| Segment results | <u>24,093</u> | <u>(11,244)</u> | <u>(6,139)</u> | <u>(5,039)</u> | | 1,671 |
| Net gain on disposal of associated companies (note 3) | | | | | | <u>21,493</u> |
| Operating profit | | | | | | 23,164 |
| Finance costs | (897) | (329) | (680) | (95) | | (2,001) |
| Share of profits less losses of | | | | | | |
| Jointly controlled entities | 261 | — | — | — | | 261 |
| Associated companies | 10,463 | (128) | 1,923 | — | | <u>12,258</u> |
| Profit before taxation | | | | | | 33,682 |
| Taxation | | | | | | (6,443) |
| Minority interests | | | | | | <u>(4,322)</u> |
| Profit attributable to shareholders | | | | | | <u>22,917</u> |

2 **TURNOVER, REVENUES AND SEGMENT INFORMATION** (Continued)**Primary reporting format — geographical segments** (Continued)

| | Hong Kong and Mainland China HK\$'000 | North America HK\$'000 | Southeast Asia HK\$'000 | Europe HK\$'000 | Elimination HK\$'000 | Group HK\$'000 |
|------------------------------------------------------------------------|------------------------------------------------|------------------------------|-------------------------------|--------------------|-------------------------|-------------------|
| 2003 | | | | | | |
| Segment assets | 458,129 | 139,756 | 139,487 | 68,886 | | 806,258 |
| Investments in jointly controlled entities | 15,244 | — | — | — | | 15,244 |
| Investments in associated companies | 14,851 | 498 | 4,926 | — | | 20,275 |
| Unallocated assets | | | | | | 99,259 |
| Total assets | | | | | | 941,036 |
| Segment liabilities | 226,502 | 62,737 | 86,367 | 60,189 | | 435,795 |
| Unallocated liabilities | | | | | | 3,079 |
| Total liabilities | | | | | | 438,874 |
| Capital expenditure for | | | | | | |
| Additions of fixed assets | 2,385 | 743 | 3,386 | 335 | | 6,849 |
| Additions of fixed assets through acquisition of subsidiaries | 14,597 | 1,864 | 8,849 | 3,918 | | 29,228 |
| Depreciation | 8,488 | 1,073 | 4,049 | 747 | | 14,357 |
| Impairment of fixed assets | 7,356 | — | — | — | | 7,356 |
| Amortisation of goodwill | | | | | | 7,150 |
| Impairment of goodwill | | | | | | 2,859 |

2 **TURNOVER, REVENUES AND SEGMENT INFORMATION** (Continued)**Primary reporting format — geographical segments** (Continued)

| | Hong Kong and Mainland China HK\$'000 | North America HK\$'000 | Southeast Asia HK\$'000 | Europe HK\$'000 | Elimination HK\$'000 | Group HK\$'000 |
|----------------------------------------|------------------------------------------------|------------------------------|-------------------------------|--------------------|-------------------------|-------------------|
| 2002 | | | | | | |
| Turnover | | | | | | |
| External | 821,583 | 328,294 | 164,956 | — | — | 1,314,833 |
| Inter-segment | 158,466 | 56,460 | 45,340 | — | (260,266) | — |
| Total | <u>980,049</u> | <u>384,754</u> | <u>210,296</u> | <u>—</u> | <u>(260,266)</u> | <u>1,314,833</u> |
| Segment results | <u>45,762</u> | <u>4,024</u> | <u>3,207</u> | <u>—</u> | | 52,993 |
| Finance costs | (593) | — | (279) | — | | (872) |
| Share of profits less losses of | | | | | | |
| Jointly controlled entities | 309 | — | — | — | | 309 |
| Associated companies | 12,348 | 83 | 1,293 | — | | <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> |

2 **TURNOVER, REVENUES AND SEGMENT INFORMATION** (Continued)**Primary reporting format — geographical segments** (Continued)

| | Hong Kong and Mainland China HK\$'000 | North America HK\$'000 | Southeast Asia HK\$'000 | Europe HK\$'000 | Elimination HK\$'000 | Group HK\$'000 |
|---------------------------------------------------------------------|------------------------------------------------|------------------------------|-------------------------------|--------------------|-------------------------|-----------------------|
| 2002 | | | | | | |
| Segment assets | 368,356 | 83,246 | 49,596 | — | — | 501,198 |
| Investments in jointly controlled entities | 8,110 | — | — | — | — | 8,110 |
| Investments in associated companies | 48,002 | 498 | 3,853 | — | — | 52,353 |
| Unallocated assets | | | | | | <u>33,161</u> |
| Total assets | | | | | | <u><u>594,822</u></u> |
| Segment liabilities | 171,971 | 21,554 | 34,101 | — | — | 227,626 |
| Unallocated liabilities | | | | | | <u>10,368</u> |
| Total liabilities | | | | | | <u><u>237,994</u></u> |
| Capital expenditure for | | | | | | |
| Additions of fixed assets | 49,955 | 595 | 1,981 | — | — | 52,531 |
| Additions of fixed assets through acquisition of subsidiaries | 61 | 183 | — | — | — | 244 |
| Depreciation | 5,424 | 876 | 1,583 | — | — | 7,883 |
| Amortisation of goodwill | | | | | | 2,816 |

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)**Primary reporting format — geographical segments** (Continued)

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.

Secondary reporting format — business segments

| | Turnover HK\$'000 | Segment results HK\$'000 | Total assets HK\$'000 | Capital expenditure HK\$'000 |
|----------------------------------------------------------|----------------------|--------------------------------|-----------------------------|------------------------------------|
| 2003 | | | | |
| Air freight | 1,372,197 | 12,612 | 440,658 | 9,492 |
| Sea freight | 862,366 | (18,446) | 220,986 | 12,730 |
| Exhibition forwarding and household removal services | 81,461 | 7,602 | 47,179 | 1,257 |
| Trucking and warehousing services | 65,916 | (97) | 53,777 | 12,598 |
| | <u>2,381,940</u> | 1,671 | 762,600 | <u>36,077</u> |
| Net gain on disposal of associated companies (note 3) | | <u>21,493</u> | | |
| Operating profit | | <u>23,164</u> | | |
| Investments in jointly controlled entities | | | 15,244 | |
| Investments in associated companies | | | 20,275 | |
| Unallocated | | | <u>142,917</u> | |
| Total assets | | | <u>941,036</u> | |

NOTES TO THE ACCOUNTS

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)**Secondary reporting format — business segments** (Continued)

| | Turnover HK\$'000 | Segment results HK\$'000 | Total assets HK\$'000 | Capital expenditure HK\$'000 |
|---------------------------------------------------------|----------------------|--------------------------------|-----------------------------|------------------------------------|
| 2002 | | | | |
| 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 | 30,601 | 2,503 | 26,745 | 1,496 |
| | <u>1,314,833</u> | | 471,904 | 48,152 |
| Operating profit | | <u>52,993</u> | | |
| Investments in jointly controlled entities | | | 8,110 | |
| Investments in associated companies | | | 52,353 | |
| Unallocated | | | 62,455 | 4,623 |
| | | | | <u>52,775</u> |
| Total assets | | | <u>594,822</u> | |

3 NET GAIN ON DISPOSAL OF ASSOCIATED COMPANIES

| | 2003 HK\$'000 | 2002 HK\$'000 |
|----------------------------------------------|------------------|------------------|
| Disposal of associated companies | | |
| Gain | 25,359 | — |
| Loss | (3,866) | — |
| Net gain on disposal of associated companies | <u>21,493</u> | <u>—</u> |

3 NET GAIN ON DISPOSAL OF ASSOCIATED COMPANIES (Continued)

The gain arose from the disposal of Wilson Freight (Far East) Limited and Wilson (F.E.) Limited, both of which are 49.5% owned associated companies of the Group.

The loss arose from the disposal of Vectra Group Limited, a 20% owned associated company of the Group, together with its wholly owned subsidiary, Dispatch Services Logistics Air Limited.

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

| | 2003 | 2002 |
|----------------------------------------------------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Crediting | | |
| Net exchange gains | <u>—</u> | <u>957</u> |
| Charging | | |
| Amortisation of goodwill | 7,150 | 2,816 |
| Auditors' remuneration | 3,088 | 1,426 |
| Bad debts written off | 9,110 | — |
| Depreciation of owned fixed assets | 13,810 | 7,524 |
| Depreciation of leased fixed assets | 547 | 359 |
| Impairment of goodwill | 2,859 | — |
| Impairment of fixed assets | 7,356 | — |
| Net exchange losses | 1,063 | — |
| Net loss on disposals of fixed assets | 625 | 231 |
| Operating leases rental in respect of land and buildings | 27,138 | 12,595 |
| Provision for doubtful debts | 19,682 | 173 |
| Decrease in valuation of fixed assets | 7,334 | — |
| Staff costs (note 9) | <u>192,364</u> | <u>109,950</u> |

NOTES TO THE ACCOUNTS

5 FINANCE COSTS

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Interest on bank loans and overdrafts | 1,896 | 787 |
| Interest element of finance leases | 105 | 85 |
| | <u>2,001</u> | <u>872</u> |

6 TAXATION

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Hong Kong profits tax | | |
| Provision for the year | 4,287 | 5,660 |
| Over provision in prior years | (1,376) | (2,158) |
| Overseas taxation credit | (666) | (34) |
| Deferred taxation (<i>note 23</i>) | 1,442 | 19 |
| | <u>3,687</u> | <u>3,487</u> |
| Share of taxation attributable to: | | |
| Jointly controlled entities | 190 | 4 |
| Associated companies | 2,566 | 1,876 |
| | <u>6,443</u> | <u>5,367</u> |

Hong Kong profits tax has been provided for at the rate of 17.5% (2002: 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.

6 TAXATION (Continued)

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

| | 2003 | 2002 |
|-------------------------------------|------------------------|--------------|
| | HK\$'000 | HK\$'000 |
| Tax losses | (12,056) | (1,616) |
| Accelerated depreciation allowances | (831) | (9) |
| Other timing differences | (10,022) | 1,033 |
| | <u>(22,909)</u> | <u>1,033</u> |

7 DIVIDENDS

| | 2003 | 2002 |
|---------------------------------------------------------------------------------|----------------------|---------------|
| | HK\$'000 | HK\$'000 |
| Interim, paid, of HK3.0 cents (2002: HK3.0 cents) per share | 9,045 | 7,197 |
| Final, proposed, of HK10.0 cents (2002: HK10.0 cents) per share (<i>note</i>) | 30,150 | 24,120 |
| | <u>39,195</u> | <u>31,317</u> |

Note: At a meeting held on 25th November 2003, 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 profits for the year ending 31st July 2004.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$22,917,000 (2002: HK\$55,827,000) and the weighted average of 271,433,053 (2002: 239,936,975) shares in issue during the year.

There is no potential dilutive shares in existence for the year ended 31st July 2003 and therefore, no diluted earnings per share was presented. The diluted earnings per share for the year ended 31st July 2002 was calculated based on 239,987,036 shares which was the weighted average number of shares in issue during the year plus the weighted average of 50,061 diluted potential shares under the Company's share option scheme.

9 STAFF COSTS

| | 2003 | 2002 |
|-------------------------------------------------------------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Wages and salaries | 182,273 | 104,572 |
| Termination benefits | 2,122 | 104 |
| Pension costs — defined contribution pension schemes | 7,502 | 5,274 |
| Pension costs — defined benefit pension scheme (<i>note 22</i>) | 467 | — |
| | <u>192,364</u> | <u>109,950</u> |

Defined contribution pension schemes include forfeited contributions totalling HK\$499,000 (2002: HK\$515,000) were utilised during the year leaving HK\$72,000 (2002: HK\$33,000) available at the year-end to reduce future contributions.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

| | 2003 | 2002 |
|-------------------------------------------------|---------------------|--------------|
| | HK\$'000 | HK\$'000 |
| Fees | 150 | 120 |
| Basic salaries, allowances and benefits in kind | 5,012 | 5,758 |
| Contributions to pension schemes | 30 | 41 |
| | <u>5,192</u> | <u>5,919</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.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

The emoluments of the directors fell within the following bands:

Emolument bands

| | Number of directors | |
|-------------------------------|----------------------------|-------------------|
| | 2003 | 2002 |
| Nil — HK\$1,000,000 | 4 | 4 |
| HK\$1,500,001 — HK\$2,000,000 | 1 | 2 |
| HK\$2,500,001 — HK\$3,000,000 | 1 | 1 |
| | <u> </u> | <u> </u> |

No directors waived or agreed to waive their emoluments in respect of the years ended 31st July 2002 and 2003.

- (b) The five individuals whose emoluments were the highest in the Group for the year include two (2002: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2002: three) individuals during the year are as follows:

| | 2003 | 2002 |
|-------------------------------------------------------|-------------------|-------------------|
| | HK\$'000 | HK\$'000 |
| Basic salaries, allowances and other benefits in kind | 5,662 | 6,305 |
| Contributions to pension schemes | 52 | 52 |
| Performance bonuses | | |
| Provision for the year | 2,036 | 675 |
| Underprovision in prior year | — | 3,745 |
| | <u> </u> | <u> </u> |
| | 7,750 | 10,777 |
| | <u> </u> | <u> </u> |

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Their emoluments fell within the following bands:

Emolument bands

| | Number of individuals | |
|-------------------------------|------------------------------|----------|
| | 2003 | 2002 |
| HK\$1,500,001 — HK\$2,000,000 | 1 | 1 |
| HK\$2,000,001 — HK\$2,500,000 | 1 | — |
| HK\$2,500,001 — HK\$3,000,000 | 1 | — |
| HK\$3,500,001 — HK\$4,000,000 | — | 1 |
| HK\$5,000,001 — HK\$5,500,000 | — | 1 |
| | <u>—</u> | <u>1</u> |

11 FIXED ASSETS

Group

| | Investment properties in Hong Kong HK\$'000 | Leasehold land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Office furniture and equipment HK\$'000 | Motor vehicles HK\$'000 | Computer equipment HK\$'000 | Total HK\$'000 |
|---------------------------------------------|---------------------------------------------------------|------------------------------------------------|---------------------------------------|-----------------------------------------------------|-------------------------------|-----------------------------------|-------------------|
| Cost or valuation | | | | | | | |
| At 1st August 2002 | 4,623 | 103,947 | 8,759 | 14,169 | 7,178 | 7,351 | 146,027 |
| Acquisition of subsidiaries (note 24(d)) | | | | | | | |
| | — | — | 35,553 | 20,308 | 6,894 | 41,808 | 104,563 |
| Additions | — | — | 1,557 | 1,836 | 1,499 | 1,957 | 6,849 |
| Disposals | — | — | (1,993) | (1,502) | (4,508) | (3,188) | (11,191) |
| Revaluation | (553) | (12,078) | — | — | — | — | (12,631) |
| Exchange adjustment | — | — | 353 | 93 | 77 | 280 | 803 |
| At 31st July 2003 | 4,070 | 91,869 | 44,229 | 34,904 | 11,140 | 48,208 | 234,420 |
| Accumulated depreciation and impairment | | | | | | | |
| At 1st August 2002 | — | 4,993 | 2,603 | 8,857 | 5,273 | 5,284 | 27,010 |
| Acquisition of subsidiaries (note 24(d)) | | | | | | | |
| | — | — | 32,748 | 14,787 | 4,762 | 23,038 | 75,335 |
| Depreciation charge | — | 2,366 | 2,454 | 2,809 | 1,474 | 5,254 | 14,357 |
| Impairment charge | — | 753 | — | — | — | 6,603 | 7,356 |
| Disposals | — | — | (1,623) | (1,269) | (3,304) | (2,361) | (8,557) |
| Revaluation | — | (5,297) | — | — | — | — | (5,297) |
| Exchange adjustment | — | — | 262 | 56 | 35 | 190 | 543 |
| At 31st July 2003 | — | 2,815 | 36,444 | 25,240 | 8,240 | 38,008 | 110,747 |
| Net book value | | | | | | | |
| At 31st July 2003 | 4,070 | 89,054 | 7,785 | 9,664 | 2,900 | 10,200 | 123,673 |
| At 31st July 2002 | 4,623 | 98,954 | 6,156 | 5,312 | 1,905 | 2,067 | 119,017 |

NOTES TO THE ACCOUNTS

11 FIXED ASSETS (Continued)

| | Investment properties in Hong Kong HK\$'000 | Leasehold land and buildings HK\$'000 | Leasehold improvements HK\$'000 | Office furniture and equipment HK\$'000 | Motor vehicles HK\$'000 | Computer equipment HK\$'000 | Total HK\$'000 |
|--|---------------------------------------------------------|------------------------------------------------|---------------------------------------|-----------------------------------------------------|-------------------------------|-----------------------------------|-------------------|
|--|---------------------------------------------------------|------------------------------------------------|---------------------------------------|-----------------------------------------------------|-------------------------------|-----------------------------------|-------------------|

The analysis of the cost or valuation at 31st July 2003 of the above assets is as follows:

| | | | | | | | |
|-----------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| At cost | — | — | 44,229 | 34,904 | 11,140 | 48,208 | 138,481 |
| At 2003 directors' valuation | — | 8,939 | — | — | — | — | 8,939 |
| At 2003 professional valuation | 4,070 | 82,930 | — | — | — | — | 87,000 |
| | <u>4,070</u> | <u>91,869</u> | <u>44,229</u> | <u>34,904</u> | <u>11,140</u> | <u>48,208</u> | <u>234,420</u> |

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

| | | | | | | | |
|-----------------------------------|--------------|----------------|--------------|---------------|--------------|--------------|----------------|
| At cost | — | — | 8,759 | 14,169 | 7,178 | 7,351 | 37,457 |
| At 2002 directors' valuation | — | 103,947 | — | — | — | — | 103,947 |
| At 2002 professional valuation | 4,623 | — | — | — | — | — | 4,623 |
| | <u>4,623</u> | <u>103,947</u> | <u>8,759</u> | <u>14,169</u> | <u>7,178</u> | <u>7,351</u> | <u>146,027</u> |

- (i) Investment properties and leasehold land and buildings in Hong Kong were revalued on 31st July 2003 on the basis of their open market value by an independent professional valuer, Chesterton Petty Limited.
- (ii) Investment properties and leasehold land and buildings with an aggregate net book value of HK\$87,000,000 (2002: HK\$96,417,000) have been pledged to banks to secure general banking facilities granted to the Group (note 26).

11 FIXED ASSETS (Continued)

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

| | 2003 | 2002 |
|----------------------------------|----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| In Hong Kong, held on: | | |
| Leases of over 50 years | 37,000 | 41,349 |
| Leases of between 10 to 50 years | 50,000 | 55,068 |
| Outside Hong Kong, held on: | | |
| Leases of over 50 years | 1,084 | 1,104 |
| Leases of between 10 to 50 years | 5,040 | 6,056 |
| | <u>93,124</u> | <u>103,577</u> |

- (iv) The carrying amount of leasehold land and buildings would have been HK\$112,874,000 (2002: HK\$116,463,000) had they been stated at cost less accumulated depreciation.
- (v) At 31st July 2003, net book value of fixed assets held by the Group under finance leases amounted to HK\$2,272,000 (2002: HK\$848,000).

NOTES TO THE ACCOUNTS

12 GOODWILL

| | 2003 HK\$'000 | 2002 HK\$'000 |
|------------------------------------------|------------------|------------------|
| Opening net book amount | 33,161 | — |
| Exchange adjustment | (13) | 37 |
| Acquisition of subsidiaries (note 24(d)) | 75,154 | 34,049 |
| Acquisition of business | 1,322 | 1,891 |
| Adjustment of goodwill (note 13(b)) | (356) | — |
| Amortisation charge (note 4) | (7,150) | (2,816) |
| Impairment charge (note 4) | (2,859) | — |
| | <u>99,259</u> | <u>33,161</u> |
| Closing net book amount | | |
| Representing: | | |
| Cost | 112,060 | 35,940 |
| Exchange adjustment | 24 | 37 |
| Accumulated amortisation and impairment | (12,825) | (2,816) |
| | <u>99,259</u> | <u>33,161</u> |

13 INVESTMENTS IN SUBSIDIARIES

| | Company | |
|--------------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Unlisted shares, at cost | 208,129 | 46,896 |
| Loan to a subsidiary | 31,500 | 36,638 |
| | <u>239,629</u> | <u>83,534</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 29(a) to the accounts.

13 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 27(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\$2,521,000, which was credited to reserves to net off against goodwill taken directly to reserves in the year of acquisition (note 20).

- (b) In November 2001, the Group acquired 100% equity interests in Corporate Century Company Limited ("Corporate Century") which in turn holds 70% equity interests in BALtrans Logistics (Canada) Limited ("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 acquisition. The remaining consideration of C\$2,576,000 (approximately HK\$12,674,000) (note 21) 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 27(b)).

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. The shortfall received by the Group during the year was HK\$356,000, which was applied to reduce the goodwill arising from the acquisition (note 12).

- (c) On 10th January 2003, the Group increased its interest in Supreme Airfreight Company Limited ("Supreme") from 74% to 86.5% by acquiring 12.5% from a minority shareholder at a consideration of HK\$8,230,000. This amount will, however, be subject to adjustment in accordance with the earnings of the business for the period from 1st August 2002 and 31st July 2005 but provided that in no event shall the adjustment exceeds HK\$9,999,999 (note 27(b)).

NOTES TO THE ACCOUNTS

13 INVESTMENTS IN SUBSIDIARIES (Continued)

(d) On 30th January 2003, the Group acquired 100% of the issued share capital of Jardine Logistics Holdings Limited and its subsidiaries ("JL Group") which engages in the freight forwarding business worldwide. In accordance with the sale and purchase agreement, the Company issued 60,300,100 new shares, representing the then 20% of the enlarged issued share capital of the Company, to the vendors. Subject to the completion accounts of JL Group, if the net assets of JL Group on the completion date are less than HK\$90 million, the vendors will contribute the amount of the shortfall in cash to JL Group. If the net assets are higher, JL Group will issue a promissory note to the vendors to repay the excess balance. The promissory note is unsecured, interest free and repayable within one year. Statement of Standard Accounting Practice No.30 "Business Combinations" requires the fair value of the consideration shares for accounting purpose be determined at the completion date. The mid-market price of the shares in the Company was HK\$2.60 on that date and accordingly, the fair value of the share consideration for this purpose was HK\$156,780,000. The total cost of acquisition was HK\$161,232,000, including direct expenses on acquisition of HK\$4,452,000, resulting in goodwill from the acquisition of HK\$71,232,000. Subsequent to the completion of the acquisition, certain issues were raised with the vendor which may have an impact on the consideration. The Group is hopeful that the matter can be resolved amicably. The directors of the Company are of the opinion that the potential outcome from such discussion will not have any material negative impact on the financial position of the Group.

The JL Group contributed turnover of HK\$894,264,000 and loss before taxation of HK\$40,689,000 to the Group for the period since acquisition. The aggregate net asset value of JL Group as at 31st July 2003 was HK\$50,630,000.

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

| | Group | |
|-------------------------------------|----------|----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Unlisted investments | | |
| Share of net assets | 13,244 | 8,110 |
| Loan to a jointly controlled entity | 2,000 | — |
| | 15,244 | 8,110 |
| Investments at cost | 15,890 | 10,309 |

Loan to a jointly controlled entity is unsecured, interest free and is not repayable within the next twelve months.

Details of principal jointly controlled entities are set out in note 29(b) to the accounts.

15 INVESTMENTS IN ASSOCIATED COMPANIES

| | Group | |
|----------------------|-----------------|---------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Unlisted investments | | |
| Share of net assets | 20,275 | 52,353 |
| | <u>20,275</u> | <u>52,353</u> |
| Investments at cost | 8,386 | 14,565 |
| | <u>8,386</u> | <u>14,565</u> |

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

16 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------------|-----------------|----------------|-----------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Due from: | | | | |
| Subsidiaries | — | — | 51,284 | 51,588 |
| A jointly controlled entity | 7,253 | 7,532 | — | — |
| Associated companies | 5,831 | 5,760 | — | — |
| Related companies | 11,878 | 1,203 | — | — |
| Trade receivables | 417,877 | 187,832 | — | — |
| | <u>442,839</u> | <u>202,327</u> | 51,284 | 51,588 |
| Deposits and prepayments | 111,092 | 51,422 | 140 | 133 |
| | <u>111,092</u> | <u>51,422</u> | <u>140</u> | <u>133</u> |
| | 553,931 | 253,749 | 51,424 | 51,721 |
| | <u>553,931</u> | <u>253,749</u> | <u>51,424</u> | <u>51,721</u> |

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

NOTES TO THE ACCOUNTS

16 TRADE AND OTHER RECEIVABLES (Continued)

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

| | Group | |
|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| 30 days or below | 214,615 | 119,453 |
| 31 — 60 days | 91,479 | 53,295 |
| 61 — 90 days | 77,122 | 22,995 |
| Over 90 days | 59,623 | 6,584 |
| | <u>442,839</u> | <u>202,327</u> |

17 OTHER INVESTMENTS

| | Group | |
|------------------------------------------------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Debt securities, listed outside Hong Kong, at market value | — | 4,304 |
| | <u>—</u> | <u>4,304</u> |

18 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Due to: | | | | |
| A subsidiary | — | — | 1,859 | — |
| Jointly controlled entities | 3,594 | 5,569 | — | — |
| Associated companies | 6 | 156 | — | — |
| Trade payables | 186,851 | 88,821 | — | — |
| | <u>190,451</u> | 94,546 | 1,859 | — |
| Accrued charges and other payables | 151,365 | 81,346 | 1,621 | 1,615 |
| | <u>341,816</u> | <u>175,892</u> | <u>3,480</u> | <u>1,615</u> |

18 TRADE AND OTHER PAYABLES (Continued)

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

| | Group | |
|------------------|-----------------------|---------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| 30 days or below | 121,235 | 71,289 |
| 31 — 60 days | 24,800 | 12,793 |
| 61 — 90 days | 9,988 | 1,144 |
| Over 90 days | 34,428 | 9,320 |
| | <u>190,451</u> | <u>94,546</u> |

19 SHARE CAPITAL

| | No. of shares | HK\$'000 |
|----------------------------------|---------------------------|----------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.10 each | | |
| At 31st July 2001, 2002 and 2003 | <u>500,000,000</u> | <u>50,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.10 each | | |
| At 31st July 2001 | 239,050,400 | 23,905 |
| Exercise of options | <u>2,150,000</u> | <u>215</u> |
| At 31st July 2002 | 241,200,400 | 24,120 |
| Issue of new shares | <u>60,300,100</u> | <u>6,030</u> |
| At 31st July 2003 | <u><u>301,500,500</u></u> | <u><u>30,150</u></u> |

60,300,100 new shares of HK\$2.6 each were issued on 30th January 2003 at a premium of HK\$2.5 each as consideration for the acquisition of subsidiaries (note 13(d)). HK\$150,750,000 was credited to share premium (note 20).

19 SHARE CAPITAL (Continued)**1992 Share Option Scheme**

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 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 2002 | Options lapsed during the year | Options outstanding at 31st July 2003 |
|----------------------|---------------------------------------------|----------------------------------------|----------------------------------------------------|-----------------------------------------|--------------------------------------------------------------|
| 13th March 1997 | 0.8336 | 1st July 1998 to 12th March 2003 | 50,000 | (50,000) | — |
| 13th March 1997 | 0.8336 | 1st January 2001 to 12th March 2003 | 50,000 | (50,000) | — |
| | | | <u>100,000</u> | <u>(100,000)</u> | <u>—</u> |

2001 Share Option Scheme

On 28th December 2001, the Company adopted a new share option scheme (the "New Option Scheme"), pursuant to which the Company may grant options without initial payment to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any customer, supplier or adviser whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group as may be determined by the Directors from time to time to subscribe for shares of the Company. The subscription price of the shares under the New Option Scheme will be the highest of (i) the nominal value of the Shares; (ii) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant; and (iii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant of (where applicable) such price as from time to time adjusted pursuant to the Scheme. The maximum number of shares in respect of which options may be granted under the New Option Scheme shall not exceed 10% of the share capital of the Company in issue.

No share option had been granted under the New Option Scheme since its adoption.

20 RESERVES

Group

| | Share premium HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------|---------------------------------|-------------------|
| At 1st August 2002 | 84,900 | (808) | 227,538 | 311,630 |
| Premium on issue of shares (<i>note 19</i>) | 150,750 | — | — | 150,750 |
| Exchange differences | — | (537) | — | (537) |
| Profit guarantee received in relation to goodwill previously written off against retained profits (<i>note 13(a)</i>) | — | — | 2,521 | 2,521 |
| Goodwill released upon liquidation of a subsidiary and disposal of associated companies | — | — | 2,808 | 2,808 |
| Profit for the year | — | — | 22,917 | 22,917 |
| 2002 final dividend paid | — | — | (24,120) | (24,120) |
| 2003 interim dividend paid | — | — | (9,045) | (9,045) |
| | <u>235,650</u> | <u>(1,345)</u> | <u>222,619</u> | <u>456,924</u> |
| At 31st July 2003 | | | | |
| Representing: | | | | |
| 2003 proposed final dividend | | | 30,150 | |
| Others | | | <u>192,469</u> | |
| | | | <u>222,619</u> | |
| Retained by: | | | | |
| Company and subsidiaries | 235,650 | (1,093) | 213,124 | 447,681 |
| Jointly controlled entities | — | (14) | (2,632) | (2,646) |
| Associated companies | — | (238) | 12,127 | 11,889 |
| | <u>235,650</u> | <u>(1,345)</u> | <u>222,619</u> | <u>456,924</u> |

20 RESERVES (Continued)

Group

| | Share premium HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------|---------------------------------|-------------------|
| At 1st August 2001 | 83,323 | (809) | 201,711 | 284,225 |
| Premium on issue of new shares | 1,577 | — | — | 1,577 |
| Exchange differences | — | 1 | — | 1 |
| Profit guarantee received in relation to goodwill previously written off against retained profits | — | — | 1,102 | 1,102 |
| Profit for the year | — | — | 55,827 | 55,827 |
| 2001 final dividend paid | — | — | (23,905) | (23,905) |
| 2002 interim dividend paid | — | — | (7,197) | (7,197) |
| | <u>84,900</u> | <u>(808)</u> | <u>227,538</u> | <u>311,630</u> |
| Representing: | | | | |
| 2002 proposed final dividend | | | 24,120 | |
| Others | | | 203,418 | |
| | | | <u>227,538</u> | |
| Retained by: | | | | |
| Company and subsidiaries | 84,900 | (546) | 191,687 | 276,041 |
| Jointly controlled entities | — | — | (2,199) | (2,199) |
| Associated companies | — | (262) | 38,050 | 37,788 |
| | <u>84,900</u> | <u>(808)</u> | <u>227,538</u> | <u>311,630</u> |

20 RESERVES (Continued)

Company

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|------------------------------------------|------------------------------|------------------------------------|---------------------------------|-------------------|
| At 1st August 2002 | 84,900 | 31,896 | 25,403 | 142,199 |
| Premium on issue of new shares (note 19) | 150,750 | — | — | 150,750 |
| Profit for the year | — | — | 39,693 | 39,693 |
| 2002 final dividend paid | — | — | (24,120) | (24,120) |
| 2003 interim dividend paid | — | — | (9,045) | (9,045) |
| | <u>235,650</u> | <u>31,896</u> | <u>31,931</u> | <u>299,477</u> |
| Representing: | | | | |
| 2003 proposed final dividend | | | 30,150 | |
| Others | | | <u>1,781</u> | |
| | | | <u>31,931</u> | |
| At 1st August 2001 | 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 | — | — | (23,905) | (23,905) |
| 2002 interim dividend paid | — | — | (7,197) | (7,197) |
| | <u>84,900</u> | <u>31,896</u> | <u>25,403</u> | <u>142,199</u> |
| Representing: | | | | |
| 2002 proposed final dividend | | | 24,120 | |
| Others | | | <u>1,283</u> | |
| | | | <u>25,403</u> | |

20 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 shares of BALtrans International (BVI) Limited and the value of net assets of the underlying subsidiaries acquired as at 6th April 1992.
- (b) 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 2003, the distributable reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$33,677,000 (2002: HK\$33,179,000).
- (c) As at 31st July 2003, goodwill arising from acquisitions prior to 1st August 2001, which were included in retained profits, amounted to HK\$85,506,000 (2002: HK\$90,835,000).

21 LONG-TERM LIABILITIES

| | Group | |
|----------------------------------------------------------------------------|-----------------|----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Deferred consideration payable (<i>note 13(b)</i>) | 10,780 | 12,674 |
| Amounts due to minority shareholders (<i>note a</i>) | 1,912 | 1,552 |
| Obligations under finance leases (<i>note b</i>) | 1,667 | 466 |
| Secured bank loan not wholly repayable within five years (<i>note c</i>) | 21,340 | 25,336 |
| | 35,699 | 40,028 |
| Current portion of long-term liabilities | | |
| — deferred consideration payable | (3,594) | (3,169) |
| — obligations under finance leases | (868) | (217) |
| — bank loan | (3,996) | (3,996) |
| | (8,458) | (7,382) |
| | 27,241 | 32,646 |

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

21 LONG-TERM LIABILITIES (Continued)

(b) Minimum lease payments for finance leases

| | Group | |
|---------------------------------|---------------------|------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Within one year | 981 | 257 |
| In the second year | 672 | 100 |
| In the third to fifth year | 182 | 170 |
| After the fifth year | 38 | — |
| | <u>1,873</u> | <u>527</u> |
| Future finance charges | (206) | (61) |
| | <u>1,667</u> | <u>466</u> |
| Present value of finance leases | | |
| | <u>1,667</u> | <u>466</u> |
| Representing: | | |
| Within one year | 868 | 217 |
| In the second year | 597 | 87 |
| In the third to fifth year | 165 | 162 |
| After the fifth year | 37 | — |
| | <u>1,667</u> | <u>466</u> |

(c) At 31st July 2003, the Group's bank loan was repayable as follows:

| | Group | |
|----------------------------|----------------------|---------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Within one year | 3,996 | 3,996 |
| In the second year | 3,996 | 3,996 |
| In the third to fifth year | 11,988 | 11,988 |
| After the fifth year | 1,360 | 5,356 |
| | <u>21,340</u> | <u>25,336</u> |

22 PENSION LIABILITIES

| | Group | |
|-------------------------------------|-------------------|-----------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Present value of funded obligations | 5,350 | — |
| Fair value of plan assets | <u>(3,514)</u> | <u>—</u> |
| | 1,836 | — |
| Unrecognised actuarial losses | <u>(1,028)</u> | <u>—</u> |
| Liability in the balance sheet | <u><u>808</u></u> | <u><u>—</u></u> |

The Group's defined benefit pension scheme is in Taiwan.

The pension scheme is a defined benefit pension scheme based on salary upon retirement. The assets of the funded plan are held independently of the Group assets in separate trustee administered funds. The Group's pension scheme is valued by Watson Wyatt Taiwan Branch, a qualified actuary, annually using the projected unit credit method.

The amounts recognised in the profit and loss account were as follows:

| | 2003 | 2002 |
|--------------------------------------------------|-------------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Current service cost | 416 | — |
| Interest cost | 104 | — |
| Expected return on plan assets | (56) | — |
| Net actuarial losses recognised | <u>3</u> | <u>—</u> |
| Total, included in staff costs (<i>note 9</i>) | <u><u>467</u></u> | <u><u>—</u></u> |

The actual return on plan assets was HK\$29,000.

22 PENSION LIABILITIES (Continued)

Movements in the pension liabilities are as follows:

| | Group | |
|------------------------------------------|-----------------|-------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| At the beginning of the year | — | — |
| Acquisition of subsidiaries (note 24(d)) | 2,293 | — |
| Benefit payments | (1,761) | — |
| Pension costs for the year (note 9) | 467 | — |
| Contributions paid | (212) | — |
| Exchange differences | 21 | — |
| | <hr/> | <hr/> |
| At the end of the year | 808 | — |
| | <hr/> <hr/> | <hr/> <hr/> |

The principal actuarial assumptions used were as follows:

| | 2003 | 2002 |
|------------------------------------------|-------------|-------------|
| | % | % |
| Discount rate | 3.25 | — |
| Expected rate of return on plan assets | 3.25 | — |
| Expected rate of future salary increases | 0.5 | — |
| | <hr/> <hr/> | <hr/> <hr/> |

23 DEFERRED TAXATION

| | Group | |
|---------------------------------------------------------------------------------|---------------|--------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| At the beginning of the year | 230 | 197 |
| Transferred to profit and loss account (note 6) | 1,442 | 19 |
| Acquisition of a subsidiary (note 24(d)) | (1,201) | 8 |
| Translation adjustments | (56) | 6 |
| | <u>415</u> | <u>230</u> |
| At the end of the year | <u>415</u> | <u>230</u> |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Provided for in respect of: | | |
| Accelerated depreciation allowances | <u>415</u> | <u>230</u> |
| The potential deferred tax assets not accounted for in the accounts amounts to: | | |
| Tax losses | 16,197 | 4,141 |
| Accelerated depreciation allowances | 876 | 45 |
| Other timing differences | 10,878 | 856 |
| | <u>27,951</u> | <u>5,042</u> |

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash (used in)/flows generated from operations

| | 2003 HK\$'000 | 2002 HK\$'000 |
|-------------------------------------------------------------------------|------------------|------------------|
| Operating profit | 23,164 | 52,993 |
| Interest income | (861) | (1,932) |
| Amortisation of goodwill | 7,150 | 2,816 |
| Impairment of goodwill | 2,859 | — |
| Depreciation of owned fixed assets | 13,810 | 7,524 |
| Depreciation of leased fixed assets | 547 | 359 |
| Impairment of fixed assets | 7,356 | — |
| Decrease in valuation of fixed assets | 7,334 | — |
| Net gain on disposal of associated companies | (21,493) | — |
| Loss on disposals of fixed assets | 625 | 231 |
| Exchange differences on retranslation of deferred consideration payable | 1,275 | — |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 41,766 | 61,991 |
| Increase in trade and other receivables | (13,234) | (76,799) |
| (Decrease)/increase in trade and other payables | (31,586) | 24,718 |
| Decrease in pension liabilities | (1,485) | — |
| | <hr/> | <hr/> |
| Net cash (used in)/flows generated from operations | <u>(4,539)</u> | <u>9,910</u> |

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

| | Share capital including premium | | Dividend payable | | Minority interests | | Loans and obligations under finance leases | |
|-----------------------------------------------------------------------------------------------|------------------------------------|----------------|---------------------|----------|-----------------------|---------------|--------------------------------------------------|---------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At the beginning of the year | 109,020 | 107,228 | — | — | 21,078 | 17,737 | 29,126 | 1,175 |
| Net cash inflow/(outflow) from financing | — | 1,792 | (33,165) | (31,102) | (7,152) | (2,799) | (6,855) | 27,018 |
| Issue of shares | 156,780 | — | — | — | — | — | — | — |
| Interest charged to profit and loss account | — | — | — | — | — | — | 2,001 | 872 |
| Minority interests' share of profit | — | — | — | — | 4,322 | 4,960 | — | — |
| Minority interests' share of goodwill released upon disposal of associated companies | — | — | — | — | 1,000 | — | — | — |
| Dividends | — | — | 33,165 | 31,102 | — | — | — | — |
| Inception of finance leases | — | — | — | — | — | — | 182 | 61 |
| Acquisition of subsidiaries (note 24(d)) | — | — | — | — | (4,117) | 1,180 | 44,035 | — |
| Exchange differences | — | — | — | — | (43) | — | — | — |
| At the end of the year | <u>265,800</u> | <u>109,020</u> | <u>—</u> | <u>—</u> | <u>15,088</u> | <u>21,078</u> | <u>68,489</u> | <u>29,126</u> |

(c) Major non-cash transactions

During the year, the Group acquired 100% of JL Group by issuing of 60,300,100 shares to Jardine Pacific Holdings Limited (note 13(d)) as the consideration.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Acquisition of subsidiaries

| | 2003 HK\$'000 | 2002 HK\$'000 |
|----------------------------------------------------------------|------------------|------------------|
| Net assets acquired | | |
| Fixed assets | 29,228 | 244 |
| Investments in jointly controlled entities | 7,280 | — |
| Trade and other receivables | 286,308 | 8,653 |
| Cash and bank balances | 32,771 | 899 |
| Trade and other payables | (198,510) | (5,125) |
| Taxation payable | (656) | (270) |
| Bank overdrafts | (21,103) | — |
| Bank loans and obligations under finance leases | (44,035) | — |
| Deferred taxation | 1,201 | (8) |
| Pension liabilities | (2,293) | — |
| Minority interests | (191) | (1,180) |
| | <u>90,000</u> | 3,213 |
| Interest originally held by a minority shareholder | 4,308 | — |
| Interest originally held by the Group as an associated company | — | (1,174) |
| | <u>94,308</u> | 2,039 |
| Goodwill (note 12) | 75,154 | 34,049 |
| Cost of acquisitions | 169,462 | 36,088 |
| Less: direct expenses on acquisitions | (4,452) | — |
| Less: deferred consideration payable | — | (12,674) |
| | <u>165,010</u> | 23,414 |
| Purchase consideration | <u>165,010</u> | <u>23,414</u> |
| Satisfied by | | |
| Allotment of new shares | 156,780 | — |
| Cash | 8,230 | 23,414 |
| | <u>165,010</u> | <u>23,414</u> |

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(d) Acquisition of subsidiaries** (Continued)

| | 2003 | 2002 |
|------------------------------------------------------------------------------|---------------------|---------------|
| | HK\$'000 | HK\$'000 |
| Analysis of the net cash outflow in respect of the purchase of subsidiaries: | | |
| Cash paid for direct expenses on acquisition | 4,452 | — |
| Cash consideration | 8,230 | 23,414 |
| Cash and bank balances in hand of subsidiaries acquired | (32,771) | (899) |
| Bank overdrafts of subsidiaries acquired | 21,103 | — |
| | <u>1,014</u> | <u>22,515</u> |
| Net cash outflow in respect of acquisition of subsidiaries | <u>1,014</u> | <u>22,515</u> |

The subsidiaries acquired during the year contributed HK\$12,083,000 to the Group's net operating cash flows, utilised HK\$1,037,000 for investing activities and paid HK\$289,000 in respect of financing activities.

25 COMMITMENTS**(a) Capital commitments**

| | Group | |
|---------------------------------|---------------------|--------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Contracted but not provided for | <u>4,737</u> | <u>7,223</u> |

The Group has entered into a sale and purchase agreement for joint ventures in Qingdao and Xiamen. Pursuant to the agreement, the Group is committed to pay a total consideration of HK\$4,737,000.

25 COMMITMENTS (Continued)**(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:

| | 2003 | 2002 |
|---------------------------------------------------|----------------------|--------------|
| | HK\$'000 | HK\$'000 |
| Not later than one year | 36,199 | 6,501 |
| Later than one year and not later than five years | 44,880 | 2,386 |
| Later than five years | 15,880 | 58 |
| | <u>96,959</u> | <u>8,945</u> |

(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:

| | 2003 | 2002 |
|---------------------------------------------------|------------------|------------|
| | HK\$'000 | HK\$'000 |
| Not later than one year | 86 | 517 |
| Later than one year and not later than five years | — | 137 |
| | <u>86</u> | <u>654</u> |

(d) Other commitments

| | Group | |
|-----------------------------------|-----------------|---------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Foreign exchange forward contract | <u>—</u> | <u>15,618</u> |

26 BANKING FACILITIES

| | 2003 | 2002 |
|----------------------------------|-----------------------|---------------|
| | HK\$'000 | HK\$'000 |
| Banking facilities granted | <u>336,859</u> | <u>96,799</u> |
| Banking facilities utilised | | |
| Bank overdrafts, secured | 15,673 | 9,824 |
| Short term bank loans | 43,570 | 1,772 |
| Long term bank loans | <u>21,340</u> | <u>25,336</u> |
| | 80,583 | 36,932 |
| Bank guarantees to third parties | <u>62,434</u> | <u>24,762</u> |
| | <u>143,017</u> | <u>61,694</u> |

At 31st July 2003, the Group's banking facilities are secured by the following:

- (i) fixed deposits of HK\$2,450,000 (2002: HK\$2,272,000) of the Group;
- (ii) first legal charges on the investment properties and 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, in which the subsidiary will not pledge its assets to other parties unless it obtains the approval from the bank.

27 CONTINGENT LIABILITIES

- (a) At 31st July 2003, the Group has provided guarantees to banks in respect of banking facilities granted to an associated company and a jointly controlled entity amounting to HK\$26.3 million (2002: HK\$7.5 million) of which HK\$21.4 million (2002: HK\$1.5 million) was utilised.

At 31st July 2003, the Group has provided guarantees to an airline company for credit facilities of a third party amounting to HK\$1.0 million (2002: HK\$1.0 million) which was fully utilised.

- (b) The Group has contingent consideration payable in relation to the acquisition of interests in subsidiaries as described in note 13.

28 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:

| | Note | 2003 HK\$'000 | 2002 HK\$'000 |
|-----------------------------|------|------------------|------------------|
| Jointly controlled entities | | | |
| Forwarding income received | (a) | 20,134 | 3,946 |
| Forwarding costs paid | (a) | 35,933 | <u>14,867</u> |
| Associated companies | | | |
| Forwarding income received | (a) | 42,231 | 54,570 |
| Forwarding costs paid | (a) | 13,510 | 11,016 |
| Management fee received | (b) | 99 | 222 |
| Warehousing income received | (b) | 2,621 | <u>4,628</u> |
| Related companies | | | |
| Forwarding income received | (a) | 44,524 | 7,892 |
| Forwarding costs paid | (a) | 6,385 | <u>5,935</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.

29 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

Particulars of principal subsidiaries, jointly controlled entities and associated companies of the Group at 31st July 2003 are as follows:

(a) Principal subsidiaries

| Name | Place of incorporation | Principal activities | Particulars of issued capital | Group's effective interest held | |
|---------------------------------------|----------------------------|----------------------------|-------------------------------|---------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held directly:</i> | | | | | |
| BALtrans International (BVI) Limited | The British Virgin Islands | Investment holding | US\$130,000 | 100% | 100% |
| Jardine Logistics Holdings Limited | The British Virgin Islands | Investment holding | HK\$120,500,611 | 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 | £100,000 | 100% | 100% |
| BALtrans Logistics Pte. Limited | Singapore | Freight forwarding | S\$250,000 | 100% | 100% |
| * BALtrans Logistics (Canada) Limited | Canada | Freight forwarding | C\$100 | 70% | 70% |
| BALtrans International Moving Limited | Hong Kong | Household removal services | HK\$500,000 | 70% | 70% |

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

(a) Principal subsidiaries (Continued)

| Name | Place of incorporation | Principal activities | Particulars of issued capital | Group's effective interest held | |
|-----------------------------------------------|----------------------------|-------------------------------------------|-------------------------------|---------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | | |
| 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 | 87% | 74% |
| Supreme Airfreight Company Limited | Hong Kong | Freight forwarding | HK\$1,500,000 | 87% | 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 | 87% | 74% |
| 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% |

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

(a) Principal subsidiaries (Continued)

| Name | Place of incorporation | Principal activities | Particulars of issued capital | Group's effective interest held | |
|-----------------------------------------|----------------------------|-----------------------------------|-------------------------------|---------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | | |
| Supreme Logistics Limited | Hong Kong | Warehousing and container drayage | HK\$500,000 | 87% | 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 | 89% | 87% |
| Fond Express Logistics Limited | Hong Kong | Freight forwarding | HK\$1,000,000 | 89% | 87% |
| 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 | 89% | 87% |
| * Fond Express International (SFO) Inc. | United States of America | Freight forwarding | US\$70,000 | 89% | 87% |
| * Helu-Trans (S) Pte. Limited | Singapore | Household and exhibition removal | S\$250,000 | 60% | 60% |
| BALtrans Logistics (M) Sdn. Bhd. | Malaysia | Freight forwarding | M\$600,000 | 100% | 100% |

29 **PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES** (Continued)(a) **Principal subsidiaries** (Continued)

| Name | Place of incorporation | Principal activities | Particulars of issued capital | Group's effective interest held | |
|-------------------------------------------------------|----------------------------|----------------------------------------------------|-------------------------------|---------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | | |
| Muragawa Logistics Limited | Hong Kong | Freight forwarding | HK\$1,500,000 | 52% | 44% |
| Win Profit Corporation Limited | Hong Kong | Property holding | HK\$10,000 | 100% | 100% |
| BALtrans Macao Commercial Offshore Limited | Macau | Freight forwarding agency | MOP100,000 | 100% | — |
| Jardine Logistics Services (HK) Limited | Hong Kong | Investment holding | HK\$100 | 100% | — |
| Jardine Logistics Services (HKG) Limited | Hong Kong | Freight forwarding services | HK\$1,000,000 | 100% | — |
| Jardine Transport Services (China) Limited | Hong Kong | Investment holding and freight forwarding services | HK\$2,000,000 | 100% | — |
| Jardine Transport (Shenzhen) Company Limited | People's Republic of China | Freight forwarding | HK\$2,500,000 | 100% | — |
| Jardine Logistics Services (Shanghai) Company Limited | People's Republic of China | Warehousing, distribution and logistics services | US\$200,000 | 100% | — |

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

(a) Principal subsidiaries (Continued)

| Name | Place of incorporation | Principal activities | Particulars of issued capital | Group's effective interest held | |
|------------------------------------------------|------------------------|------------------------|-------------------------------|---------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | | |
| Jardine Logistics Services (Taiwan) Limited | Taiwan | Freight forwarding | NT\$12,500,000 | 100% | — |
| Jardine Logistics (Singapore) Pte Limited | Singapore | Freight forwarding | S\$600,002 | 100% | — |
| Ingram (Mauritius) Limited | Mauritius | Investment holding | US\$100 | 100% | — |
| Jardine Logistics Services Sdn. Bhd. | Malaysia | Freight forwarding | M\$500,000 | 100% | — |
| * Logistics Support Services Sdn. Bhd. | Malaysia | Staff support services | M\$2 | 100% | — |
| Jardine Logistics Services (Thailand) Limited | Thailand | Freight forwarding | Baht5,880,000 | 100% | — |
| PT Jaringan Logistik Semesta | Indonesia | Freight forwarding | Rp1,550,000,000 | 100% | — |
| JTS (UK) Holdings Limited | United Kingdom | Investment holding | £1,000 | 100% | — |
| Jardine Freight Services International Limited | United Kingdom | Freight forwarding | £30,000 | 75% | — |

29 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)**(a) Principal subsidiaries** (Continued)

| Name | Place of incorporation | Principal activities | Particulars of issued capital | Group's effective interest held | |
|-----------------------------------------------|--------------------------|----------------------|-------------------------------|---------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | | |
| Jardine Transport Services (Delaware) Limited | United States of America | Investment holding | US\$2,800,000 | 100% | — |
| Freight Solutions International, LLC | United States of America | Freight forwarding | US\$2,794,702 | 100% | — |

The companies within the Group operate principally in their respective places of incorporation, except Jardine Transport Services (China) Limited, which also provides services in the PRC.

(b) Principal jointly controlled entities

| Name | Incorporated/ unincorporated | Place of operation/ incorporation | Principal activities | Group's effective interest held | |
|--------------------------------------------------|---------------------------------|--------------------------------------|--------------------------------------------------|---------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | | |
| * Shanghai BALtrans Exhibition & Removal Limited | Incorporated | People's Republic of China | Household and exhibition removal | 29% | 29% |
| * BALtrans International Cargo Limited | Incorporated | People's Republic of China | Freight forwarding | 50% | 40% |
| United Asia Terminals (Yantian) Limited | Incorporated | People's Republic of China | Warehousing, distribution and logistics services | 40% | — |

NOTES TO THE ACCOUNTS

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

(b) Principal jointly controlled entities (Continued)

| Name | Incorporated/ unincorporated | Place of operation/ incorporation | Principal activities | Group's effective interest held | |
|-----------------------------------------------|---------------------------------|-----------------------------------------|-------------------------|---------------------------------------|------|
| | | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | | |
| Jardine-CCTA Logistics Services Limited | Incorporated | People's Republic of China | Freight forwarding | 45% | — |

(c) Principal associated companies

| Name | Place of incorporation | Principal activities | Group's effective interest held | |
|-----------------------------------------------------------------------------|---------------------------|----------------------|---------------------------------------|------|
| | | | 2003 | 2002 |
| <i>Held indirectly:</i> | | | | |
| * BALtrans Logistics (Thailand) Co., Limited | Thailand | Freight forwarding | 49% | 49% |
| * Korchina Logistics (HK) Limited (formerly Korchina Freight Limited) | Hong Kong | Freight forwarding | 50% | 50% |
| * BAL CAN Forwarding Inc. | Canada | Freight forwarding | 49% | 49% |
| * Korchina Freight Pte Ltd. | Singapore | Freight forwarding | 50% | 50% |
| * PT i-Logistics BALtrans Indonesia | Indonesia | Freight forwarding | 40% | 40% |
| * Companies not audited by PricewaterhouseCoopers. | | | | |

30 COMPARATIVE FIGURES

Certain comparative figures are reclassified to conform with the current year's presentation.

31 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 25th November 2003.