

Notes to the Accounts

1 Principal accounting policies

The principal accounting policies adopted in the preparation of the 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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, leasehold land and buildings are stated at valuation.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") No. 12 "Income taxes" issued by the HKICPA which is effective for accounting periods commencing on or after 1st January 2003.

The adoption of revised SSAP 12 results in a change to the accounting policy on deferred taxation (*note 1(iii)*) and the change has no material impact to the Group's opening retained profits at 1st August 2003 and accordingly no adjustment has been made thereto.

(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, jointly controlled entities and associated companies 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, a jointly controlled entity or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill, including goodwill previously taken to reserves, which was not previously charged or recognised in the consolidated profit and loss account.

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, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast the majority of votes at the meetings 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 dividend income.

1 Principal accounting policies *(Continued)*

(d) Jointly controlled entities

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

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities together with the relevant goodwill and negative goodwill (net of amortisation) on acquisition.

The Company's investments in the jointly controlled entities are stated at cost less provision for impairment losses. The results of the jointly controlled entities are accounted for by the Company on the basis of dividend income.

(e) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its 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.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income.

(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, jointly controlled entity and associated company 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 ten years. Goodwill on acquisitions that occurred prior to 1st August 2001 was taken to reserves and such goodwill has not been retroactively capitalised and amortised.

1 Principal accounting policies *(Continued)*

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

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 consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the identifiable non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those identifiable acquired depreciable/amortisable assets; negative goodwill in excess of the fair values of those identifiable non-monetary assets is recognised in the profit and loss account immediately. For acquisitions prior to 1st August 2001, negative goodwill was taken to reserves on acquisition and such negative goodwill has not been restated.

Where an indicator of impairment exists, the carrying amount of goodwill, including goodwill previously taken to 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 more 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.

1 Principal accounting policies *(Continued)*

(g) Fixed assets *(Continued)*

(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 which are performed every three years. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. In the intervening years, the directors review the carrying value of the leasehold land and buildings and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the leasehold land and buildings revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Amortisation of leasehold land is calculated to write off their valuation less accumulated depreciation and accumulated impairment losses over the unexpired period of the leases which range from 20 to 50 years.

Depreciation of buildings is calculated to write off their valuation less accumulated depreciation and accumulated impairment losses 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%.

(iii) Other fixed assets

Fixed assets other than investment properties and leasehold land and buildings 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 a straight-line basis over their expected useful lives to the Group. The principal annual rates used 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 profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

1 Principal accounting policies *(Continued)*

(g) Fixed assets *(Continued)*

(iv) Impairment

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that 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 other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(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.

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

(j) 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.

(k) 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.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future.

(m) 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 accounts are translated at average exchange rates. Exchange differences are dealt with as a movement in reserves.

1 Principal accounting policies *(Continued)*

(n) 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 third-party logistics (representing trucking and warehousing services), 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.

(o) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave 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) *Bonus entitlements*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) *Retirement benefit obligations*

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

1 Principal accounting policies *(Continued)*

(o) Employee benefits *(Continued)*

(iii) Retirement benefit obligations *(Continued)*

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and in respect of certain defined contribution retirement schemes or pursuant to relevant regulations of the government authorities, contributions for certain defined contribution retirement schemes may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For defined benefit plans, retirement benefit 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 plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates with reference to the yield of government bonds. Actuarial gains and losses are recognised over the average remaining service lives of the employees.

(iv) Equity compensation benefits

Share options are granted to directors and senior management of the Group. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(p) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(q) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they incurred.

1 Principal accounting policies *(Continued)*

(r) 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 segments as the secondary reporting format.

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.

Segment assets consist primarily of fixed assets, receivables and operating cash and mainly exclude goodwill, investments in jointly controlled entities and associated companies, tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities and mainly exclude items such as tax payable and deferred tax liabilities. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions of subsidiaries.

2 Turnover, revenues and segment information

The Group is principally engaged in the provision of air and sea freight forwarding services, exhibition forwarding and household removal services, third-party logistics representing trucking and warehousing services. Revenues recognised during the year are as follows:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|------------------|------------------|
| Turnover | | |
| Revenue from rendering freight forwarding services | | |
| Air freight | 1,779,018 | 1,372,197 |
| Sea freight | 1,336,862 | 862,366 |
| Exhibition forwarding and household removal services | 94,075 | 81,461 |
| Third-party logistics | 90,992 | 65,916 |
| | 3,300,947 | 2,381,940 |
| Other revenues | | |
| Property letting | 435 | 812 |
| Management fee | 720 | 269 |
| Interest income | 795 | 861 |
| | 1,950 | 1,942 |
| Total revenues | 3,302,897 | 2,383,882 |

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

(a) Primary reporting format — geographical segments

| | For the year ended 31st July 2004 | | | | | |
|--|---|------------------------------|-------------------------------|--------------------|-------------------------|-------------------|
| | Hong Kong and Mainland China HK\$'000 | North America HK\$'000 | Southeast Asia HK\$'000 | Europe HK\$'000 | Elimination HK\$'000 | Group HK\$'000 |
| Turnover | | | | | | |
| External | 1,564,558 | 661,954 | 760,225 | 314,210 | — | 3,300,947 |
| Inter-segment | 263,144 | 76,466 | 102,482 | 32,955 | (475,047) | — |
| Total | <u>1,827,702</u> | <u>738,420</u> | <u>862,707</u> | <u>347,165</u> | <u>(475,047)</u> | <u>3,300,947</u> |
| Segment results | <u>49,534</u> | <u>(1,924)</u> | <u>11,891</u> | <u>725</u> | <u>—</u> | <u>60,226</u> |
| Finance costs | (888) | (618) | (735) | (201) | — | (2,442) |
| Share of profits less losses of | | | | | | |
| — jointly controlled entities | 1,890 | — | — | — | — | 1,890 |
| — associated companies | 6,846 | (93) | (437) | — | — | 6,316 |
| Profit before taxation | | | | | | 65,990 |
| Taxation | | | | | | (8,261) |
| Profit after taxation | | | | | | 57,729 |
| Minority interests | | | | | | (4,855) |
| Profit attributable to shareholders | | | | | | <u>52,874</u> |
| Segment assets | 557,960 | 141,292 | 154,631 | 81,222 | — | 935,105 |
| Jointly controlled entities | 13,088 | — | — | — | — | 13,088 |
| Associated companies | 20,699 | 422 | 5,492 | — | — | 26,613 |
| Unallocated assets | | | | | | 105,063 |
| Total assets | | | | | | <u>1,079,869</u> |
| Segment liabilities | 304,135 | 34,542 | 106,027 | 71,455 | — | 516,159 |
| Unallocated liabilities | | | | | | 19,783 |
| Total liabilities | | | | | | <u>535,942</u> |
| Capital expenditure for | | | | | | |
| additions of fixed assets | 10,126 | 909 | 7,880 | 697 | — | 19,612 |
| additions of fixed assets through acquisition of subsidiaries | 4,430 | — | — | — | — | 4,430 |
| Goodwill | | | | | | 10,897 |
| Depreciation | 10,174 | 1,082 | 4,048 | 1,402 | — | 16,706 |
| Amortisation of goodwill | | | | | | 11,069 |

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

(a) Primary reporting format — geographical segments *(Continued)*

| | For the year ended 31st July 2003 | | | | | |
|--|--|-------------------------------------|--------------------------------------|---------------------------|--------------------------------|--------------------------|
| | Hong Kong and Mainland China <i>HK\$'000</i> | North America <i>HK\$'000</i> | Southeast Asia <i>HK\$'000</i> | Europe <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Group <i>HK\$'000</i> |
| 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 | 1,469,876 | 690,407 | 483,846 | 238,270 | (500,459) | 2,381,940 |
| Segment results | 24,093 | (11,244) | (6,139) | (5,039) | — | 1,671 |
| Net gain on disposals of associated companies | | | | | | 21,493 |
| | | | | | | 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 | — | — | 12,258 |
| Profit before taxation | | | | | | 33,682 |
| Taxation | | | | | | (6,443) |
| Profit after taxation | | | | | | 27,239 |
| Minority interests | | | | | | (4,322) |
| Profit attributable to shareholders | | | | | | 22,917 |
| Segment assets | 458,129 | 139,756 | 139,487 | 68,886 | — | 806,258 |
| Jointly controlled entities | 15,244 | — | — | — | — | 15,244 |
| Associated companies | 14,851 | 498 | 4,926 | — | — | 20,275 |
| Unallocated assets | | | | | | 106,937 |
| Total assets | | | | | | 948,714 |
| Segment liabilities | 226,842 | 64,309 | 86,367 | 60,189 | — | 437,707 |
| Unallocated liabilities | | | | | | 8,845 |
| Total liabilities | | | | | | 446,552 |
| 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 |
| Goodwill | | | | | | 75,154 |
| 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)*

(b) Secondary reporting format — business segments

| | For the year ended 31st July 2004 | | | |
|---|-----------------------------------|---------------------------------------|------------------------------------|---|
| | Turnover <i>HK\$'000</i> | Segment results <i>HK\$'000</i> | Total assets <i>HK\$'000</i> | Capital expenditure <i>HK\$'000</i> |
| Air freight | 1,779,018 | 42,724 | 492,796 | 11,241 |
| Sea freight | 1,336,862 | 13,981 | 277,400 | 5,131 |
| Exhibition forwarding and household removal services | 94,075 | 6,943 | 68,848 | 1,007 |
| Third-party logistics | 90,992 | (3,422) | 78,815 | 6,663 |
| | 3,300,947 | 60,226 | 917,859 | 24,042 |
| Jointly controlled entities | | | 13,088 | |
| Associated companies | | | 26,613 | |
| Unallocated | | | 122,309 | |
| Total assets | | | 1,079,869 | |
| | For the year ended 31st July 2003 | | | |
| | Turnover <i>HK\$'000</i> | Segment results <i>HK\$'000</i> | Total assets <i>HK\$'000</i> | Capital expenditure <i>HK\$'000</i> |
| 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 |
| Third-party logistics | 65,916 | (97) | 53,777 | 12,598 |
| | 2,381,940 | 1,671 | 762,600 | 36,077 |
| Net gain on disposals of associated companies | | 21,493 | | |
| | | 23,164 | | |
| Jointly controlled entities | | | 15,244 | |
| Associated companies | | | 20,275 | |
| Unallocated | | | 150,595 | |
| Total assets | | | 948,714 | |

3 Operating profit

Operating profit is stated after crediting and charging the following:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|------------------|------------------|
| Crediting | | |
| Net gain on disposals of associated companies | 155 | 21,493 |
| Write back of deficit on revaluation of leasehold land and buildings | 4,682 | — |
| Net gain on disposals of fixed assets | 90 | — |
| Charging | | |
| Amortisation of goodwill | 11,069 | 7,150 |
| Auditors' remuneration | 4,519 | 3,088 |
| Depreciation | | |
| — owned fixed assets | 15,997 | 13,810 |
| — leased fixed assets | 709 | 547 |
| Impairment | | |
| — goodwill | — | 2,859 |
| — fixed assets | — | 7,356 |
| Net exchange losses | 3,497 | 1,063 |
| Net loss on disposals of fixed assets | — | 625 |
| Operating leases rental in respect of land and buildings | 49,863 | 27,138 |
| Provision for doubtful debts | 9,248 | 19,682 |
| Bad debts written off | 356 | 9,110 |
| Deficit on revaluation of investment properties and leasehold land and buildings | — | 7,334 |
| Staff costs, including directors' remuneration (note 9) | 262,360 | 192,364 |

4 Finance costs

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Interest on bank loans and overdrafts | 2,320 | 1,896 |
| Interest element of finance leases | 122 | 105 |
| | 2,442 | 2,001 |

5 Taxation

Hong Kong profits tax has been provided for at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits 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.

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Current taxation: | | |
| Hong Kong profits tax | 2,717 | 4,393 |
| Overseas taxation charge | 9,011 | 1,086 |
| Under/(over) provision in prior years | 2,615 | (3,234) |
| Deferred taxation (<i>note 22</i>) | (8,322) | 1,442 |
| | 6,021 | 3,687 |
| Share of taxation attributable to: | | |
| Jointly controlled entities | 1,256 | 190 |
| Associated companies | 984 | 2,566 |
| Taxation charge | 8,261 | 6,443 |

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation | 65,990 | 33,682 |
| Calculated at a taxation rate of 17.5% (2003: 17.5%) | 11,548 | 5,894 |
| Effect of different taxation rates in other countries | (3,840) | (7,888) |
| Income not subject to taxation | (2,302) | (7,138) |
| Expenses not deductible for taxation purposes | 13,364 | 6,527 |
| Utilisation of previously unrecognised tax losses | (8,591) | (153) |
| Recognition of previously unrecognised temporary differences | (5,198) | — |
| Temporary differences not recognised | — | 11,985 |
| Under/(over) provision in prior years | 2,615 | (3,234) |
| Increase in opening net deferred tax liabilities resulting from an increase in tax rate | — | 22 |
| Others | 665 | 428 |
| Taxation charge | 8,261 | 6,443 |

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$37,790,000 (2003: HK\$39,693,000).

7 Dividends

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interim, paid, of HK3.0 cents (2003: HK3.0 cents) per share | 9,045 | 9,045 |
| Final, proposed, of HK10.0 cents (2003: HK10.0 cents) per share | 30,150 | 30,150 |
| | 39,195 | 39,195 |

At a meeting held on 25th November 2004, the directors proposed a final dividend of HK10.0 cents per share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of retained profits for the year ending 31st July 2005.

8 Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$52,874,000 (2003: HK\$22,917,000).

The basic earnings per share for the year ended 31st July 2004 is based on the weighted average number of 301,500,500 (2003: 271,433,053) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31st July 2004 is based on the weighted average number of 301,500,500 ordinary shares in issue during the year plus the 283,839 ordinary shares deemed to be issued at no consideration as if all outstanding share options had been exercised.

There was no potential dilutive shares in existence for the year ended 31st July 2003 and therefore, no diluted earnings per share was presented.

9 Staff costs, including directors' remuneration

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Wages and salaries | 251,307 | 182,273 |
| Termination benefits | (115) | 2,122 |
| Retirement benefit costs — defined contribution plans | 10,094 | 7,502 |
| Retirement benefit costs — defined benefit plan (<i>note 21</i>) | 1,074 | 467 |
| | 262,360 | 192,364 |

Defined contribution retirement benefit schemes included forfeited contributions of which HK\$243,000 (2003: HK\$499,000) was utilised during the year leaving HK\$13,000 (2003: HK\$72,000) available at the year end to reduce future contributions.

Contributions totalling HK\$2,528,000 (2003: HK\$1,463,000) were payable to the retirement benefit schemes at 31st July 2004 and were included in trade and other payables.

10 Directors' and senior management's emoluments

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

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Fees | 350 | 150 |
| Basic salaries, allowances and benefits in kind | 6,868 | 5,012 |
| Contributions to retirement benefit schemes | 30 | 30 |
| | 7,248 | 5,192 |

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

The emoluments of the directors fell within the following bands:

| Emolument bands | Number of directors | |
|-------------------------------|----------------------------|------|
| | 2004 | 2003 |
| HK\$Nil — HK\$1,000,000 | 4 | 4 |
| HK\$1,500,001 — HK\$2,000,000 | — | 1 |
| HK\$2,000,001 — HK\$2,500,000 | 1 | — |
| HK\$2,500,001 — HK\$3,000,000 | — | 1 |
| HK\$4,000,001 — HK\$4,500,000 | 1 | — |

10 Directors' and senior management's emoluments *(Continued)*

- (b) The five individuals whose emoluments were the highest in the Group for the year include two (2003: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: three) individuals during the year are as follows:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Basic salaries, allowances and other benefits in kind | 6,975 | 7,698 |
| Contributions to retirement benefit schemes | 242 | 52 |
| | 7,217 | 7,750 |

Their emoluments fell within the following bands:

| Emolument bands | Number of individuals | |
|-------------------------------|------------------------------|------|
| | 2004 | 2003 |
| HK\$1,500,001 — HK\$2,000,000 | 2 | 1 |
| HK\$2,000,001 — HK\$2,500,000 | — | 1 |
| HK\$2,500,001 — HK\$3,000,000 | — | 1 |
| HK\$3,000,001 — HK\$3,500,000 | 1 | — |

- (c) During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or agreed to waive their emoluments for the years ended 31st July 2003 and 2004.

11 Fixed assets**Group**

| | Investment properties | Leasehold land and buildings | Leasehold improvements | Office furniture and equipment | Motor vehicles | Computer system | Total |
|---|----------------------------------|---|-----------------------------------|---|---------------------------|----------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost or valuation | | | | | | | |
| At 1st August 2003 | 4,070 | 91,869 | 44,229 | 34,904 | 11,140 | 48,208 | 234,420 |
| Exchange differences | — | — | 119 | 750 | 142 | 998 | 2,009 |
| Acquisition of subsidiaries | — | 1,005 | 394 | 1,486 | 2,791 | 198 | 5,874 |
| Additions | — | 152 | 9,393 | 5,016 | 2,240 | 2,811 | 19,612 |
| Disposals | — | — | (5,099) | (4,451) | (1,262) | (7,612) | (18,424) |
| Transfer | (4,070) | 4,070 | — | (1,203) | — | 1,203 | — |
| Revaluation | — | 31,000 | — | — | — | — | 31,000 |
| At 31st July 2004 | — | 128,096 | 49,036 | 36,502 | 15,051 | 45,806 | 274,491 |
| Accumulated depreciation and impairment | | | | | | | |
| At 1st August 2003 | — | 2,815 | 36,444 | 25,240 | 8,240 | 38,008 | 110,747 |
| Exchange differences | — | — | 58 | 570 | 88 | 721 | 1,437 |
| Acquisition of subsidiaries | — | — | 106 | 401 | 904 | 33 | 1,444 |
| Depreciation charge | — | 2,278 | 3,779 | 3,427 | 1,598 | 5,624 | 16,706 |
| Disposals | — | — | (3,320) | (3,511) | (985) | (6,592) | (14,408) |
| Revaluation | — | (1,992) | — | — | — | — | (1,992) |
| Transfer | — | — | — | (1,084) | — | 1,084 | — |
| At 31st July 2004 | — | 3,101 | 37,067 | 25,043 | 9,845 | 38,878 | 113,934 |
| Net book value | | | | | | | |
| At 31st July 2004 | — | 124,995 | 11,969 | 11,459 | 5,206 | 6,928 | 160,557 |
| At 31st July 2003 | 4,070 | 89,054 | 7,785 | 9,664 | 2,900 | 10,200 | 123,673 |

11 Fixed assets *(Continued)*

The analysis of the cost or valuation at 31st July 2004 of the above assets is as follows:

| | Investment properties HK\$'000 | Leasehold land and buildings 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 | — | — | 49,036 | 36,502 | 15,051 | 45,806 | 146,395 |
| At 2004 directors' valuation | — | 10,096 | — | — | — | — | 10,096 |
| At 2004 professional valuation | — | 118,000 | — | — | — | — | 118,000 |
| | — | 128,096 | 49,036 | 36,502 | 15,051 | 45,806 | 274,491 |

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

| | Investment properties HK\$'000 | Leasehold land and buildings 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 | — | — | 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 |
| | 4,070 | 91,869 | 44,229 | 34,904 | 11,140 | 48,208 | 234,420 |

Company

| | Office equipment HK\$'000 | Computer system HK\$'000 | Total HK\$'000 |
|---------------------------------------|---------------------------------|--------------------------------|-------------------|
| Cost | | | |
| At 1st August 2003 and 31st July 2004 | 8 | 21 | 29 |
| Accumulated depreciation | | | |
| At 1st August 2003 and 31st July 2004 | (8) | (21) | (29) |
| Net book value | | | |
| At 31st July 2003 and 31st July 2004 | — | — | — |

11 Fixed assets *(Continued)*

- (i) Leasehold land and buildings and investment properties with aggregate net book values of HK\$118,000,000 (2003: HK\$82,930,000) and HK\$Nil (2003: HK\$4,070,000) respectively have been pledged to banks to secure banking facilities granted to the Group (*note 25*).
- (ii) The Group's interests in leasehold land and buildings and investment properties at their net book values are analysed as follows:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|----------------------------------|--------------------------------|-------------------------|
| In Hong Kong, held on: | | |
| Leases of over 50 years | 68,000 | 37,000 |
| Leases of between 10 to 50 years | 50,000 | 50,000 |
| Outside Hong Kong, held on: | | |
| Leases of over 50 years | 1,067 | 1,084 |
| Leases of between 10 to 50 years | 5,295 | 4,244 |
| Leases of less than 10 years | 633 | 796 |
| | 124,995 | 93,124 |

- (iii) Leasehold land and buildings in Hong Kong were revalued at 31st July 2004 on the basis of open market value carried out by Vigers Appraisal & Consulting Limited, an independent firm of chartered surveyors. The revaluation surplus net of deficit previously charged to profit and loss account and applicable deferred taxation was credited to leasehold land and buildings revaluation reserve (*note 19*).

The carrying amount of leasehold land and buildings would have been HK\$111,944,000 (2003: HK\$112,874,000) had they been stated at cost less accumulated depreciation.

- (iv) At 31st July 2004, net book value of fixed assets held by the Group under finance leases amounted to HK\$1,376,000 (2003: HK\$2,272,000).

12 Goodwill

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Net book value at the beginning of the year | 99,259 | 33,161 |
| Acquisition of subsidiaries (<i>note 23 (c)</i>) | 10,897 | 75,154 |
| Acquisition of business | — | 1,322 |
| Adjustment of goodwill | (5,277) | (356) |
| Exchange differences | — | (13) |
| Amortisation charge (<i>note 3</i>) | (11,069) | (7,150) |
| Impairment charge (<i>note 3</i>) | — | (2,859) |
| Net book value at the end of the year | 93,810 | 99,259 |
| At 31st July | | |
| Cost | 117,704 | 112,084 |
| Accumulated amortisation and impairment | (23,894) | (12,825) |
| Net book value | 93,810 | 99,259 |

During the year, the Group acquired two subsidiaries which are engaged in freight forwarding and exhibition forwarding businesses in the People Republic of China (the "PRC"). The total costs of acquisitions were HK\$19,238,000 resulting in goodwill from the acquisitions of HK\$10,897,000.

13 Subsidiaries

| | Company | |
|-------------------------------|-------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Unlisted shares, at cost | 208,129 | 208,129 |
| Loan to a subsidiary | 29,000 | 31,500 |
| Amounts due from subsidiaries | 66,222 | 51,284 |
| Amounts due to subsidiaries | (14,789) | (1,859) |
| | 288,562 | 289,054 |

- (a) Details of principal subsidiaries of the Group are set out in note 28(a) to the accounts.
- (b) The loan to a subsidiary is unsecured, interest bearing at prevailing market rate and not repayable within the next twelve months.

13 Subsidiaries (Continued)

- (c) Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.
- (d) (i) In October 2000, the Group acquired an additional 20% equity interest in Fondair Express (HK) Limited ("Fondair") at a consideration of HK\$19,276,000. The consideration for the acquisition would 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 ended 31st July 2004 exceeded HK\$18 million in aggregate. Each of the two vendors would 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.

The vendors also undertook 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 ended on 31st July 2004 was less than HK\$3,825,000 and if 20% of the aggregate profit after taxation as shown in the audited accounts of Fondair for the four consecutive financial years ended on 31st July 2004 was less than HK\$18 million.

- (ii) In November 2001, the Group acquired 100% equity interest in Corporate Century Company Limited ("Corporate Century") which in turn holds 70% equity interest in BALtrans Logistics (Canada) Limited ("BALtrans Canada") at a consideration of CAD6,440,000 with contingent consideration payable in 2007 and 2008. An initial consideration of CAD3,864,000 was paid upon completion of the acquisition. The remaining consideration of CAD2,576,000 (approximately HK\$12,674,000) is payable by four equal annual instalments commencing in 2003. The deferred consideration payable as at 31st July 2004 was CAD1,288,000 (approximately HK\$7,564,000) (2003: CAD1,932,000) (approximately HK\$10,780,000) (*note 20*). The contingent consideration payable in 2007 and 2008 shall be one half of the amount, if any, by which net profit after taxation of BALtrans Canada for each of the financial years ending on 31st October 2006 and 31st October 2007 exceeds CAD1,840,000 (*note 26(b)*).

The vendors have undertaken to pay to the Group in respect of each of the financial years ending on 31st October 2002, 2003, 2004 and 2005 an amount equal to any amount by which 70% of the net profit after taxation for that financial year is less than CAD1,288,000 but provided that in no event shall the aggregate amount of all payments under this profit guarantee arrangement exceed CAD5,152,000. The shortfall received by the Group during the year was HK\$692,000 (2003: HK\$356,000), which was applied to reduce the goodwill arising from the acquisition (*note 12*).

- (iii) In 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 provided that in no event shall the adjustment exceed HK\$9,999,999 (*note 26(c)*).

13 Subsidiaries *(Continued)*(d) (iii) *(Continued)*

The vendor has undertaken to pay to the Group in respect of each of the financial years ending on 31st July 2003, 2004 and 2005 an amount by which the difference between 3.84 times of 12.5% of the net profit after taxation of Supreme was less than HK\$4,310,000 in each of these three years. The shortfall received by the Group during the year was HK\$638,000 (2003: Nil), which was applied to reduce the goodwill arising from the acquisition *(note 12)*.

(iv) In May 2004, the Group acquired 100% equity interest in Exhibitstrans Logistics Limited ("Exhibitstrans") at a consideration of HK\$4,010,000 with contingent consideration payable in 2005, 2006 and 2007. The contingent consideration payable in 2005, 2006 and 2007 shall be 45.8% of gross profit of Exhibitstrans if the gross profit reaches the range of US\$200,001 to US\$600,000 and an additional 15% of gross profit for the amount exceeding US\$600,000 for each of the financial years ending on 31st July 2005, 2006 and 2007 *(note 26(d))*.

(e) In 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 then 20% of the enlarged issued share capital of the Company, to the vendor *(note 18)*. Subsequent to the completion of the acquisition, certain issues were raised and claims have been filed against 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 discussions will not have any material negative impact on the financial position of the Group.

14 Jointly controlled entities

| | Group | |
|-------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Unlisted investments | | |
| Share of net assets | 12,088 | 13,244 |
| Loan to a jointly controlled entity | 1,000 | 2,000 |
| | 13,088 | 15,244 |
| Unlisted investments, at cost | 15,890 | 15,890 |

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

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

15 Associated companies

| | Group | |
|--------------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Share of net assets | 26,613 | 20,275 |
| Unlisted shares, at cost | 11,684 | 8,386 |

Details of principal associated companies are set out in note 28(c) to the accounts.

16 Trade and other receivables

| | Group | | Company | |
|---|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Trade receivables | | | | |
| — jointly controlled entities | 18,249 | 7,253 | — | — |
| — associated companies | 8,611 | 5,831 | — | — |
| — related companies | 2,499 | 8,865 | — | — |
| — minority shareholders | 1,336 | 2,653 | — | — |
| — third parties | 489,867 | 418,237 | — | — |
| | 520,562 | 442,839 | — | — |
| Deposits, prepayments and other receivables | | | | |
| — related companies | 23,436 | 26,752 | — | — |
| — a minority shareholder | 2,521 | 2,521 | — | — |
| — third parties | 71,957 | 81,819 | 151 | 140 |
| | 97,914 | 111,092 | 151 | 140 |
| | 618,476 | 553,931 | 151 | 140 |

Included in other receivables from related companies were amounts totaling HK\$16,761,000 (2003: HK\$23,123,000) which represented amounts paid for establishment of subsidiaries and a jointly controlled entity.

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

16 Trade and other receivables *(Continued)*

The ageing analysis of trade receivables (net of provision) was as follows:

| | Group | |
|------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| 30 days or below | 269,474 | 214,615 |
| 31 — 60 days | 125,869 | 91,479 |
| 61 — 90 days | 39,198 | 77,122 |
| Over 90 days | 86,021 | 59,623 |
| | 520,562 | 442,839 |

17 Trade and other payables

| | Group | | Company | |
|------------------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Trade payables | | | | |
| — jointly controlled entities | 3,260 | 3,594 | — | — |
| — associated companies | 192 | 6 | — | — |
| — related companies | 6 | — | — | — |
| — third parties | 176,756 | 186,851 | — | — |
| | 180,214 | 190,451 | — | — |
| Accrued charges and other payables | 238,755 | 151,365 | 2,610 | 1,621 |
| Other payable to a related company | 1,902 | — | — | — |
| | 420,871 | 341,816 | 2,610 | 1,621 |

The ageing analysis of trade payables was as follows:

| | Group | |
|------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| 30 days or below | 110,765 | 121,235 |
| 31 — 60 days | 38,202 | 24,800 |
| 61 — 90 days | 16,186 | 9,988 |
| Over 90 days | 15,061 | 34,428 |
| | 180,214 | 190,451 |

18 Share capital

| | Number of shares | HK\$'000 |
|---|------------------|----------|
| Authorised: | | |
| Ordinary shares of HK\$0.10 each At 31st July 2003 and 2004 | 500,000,000 | 50,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.10 each At 1st August 2002 | 241,200,400 | 24,120 |
| Issue of new shares for acquisition of subsidiaries (<i>note 13(e)</i>) | 60,300,100 | 6,030 |
| At 31st July 2003 | 301,500,500 | 30,150 |
| At 31st July 2004 | 301,500,500 | 30,150 |

Share options

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 daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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; or where applicable such price as from time to time adjusted pursuant to the New Option 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 as at the date of the adoption of the scheme.

18 Share capital *(Continued)***Share options** *(Continued)*

On 4th May 2004, 20 directors and employees of the Group were offered options to subscribe a total of 14,400,000 shares at an exercise price of HK\$2.045 per share. All the share options will expire on 3rd May 2009. The options are exercisable as follows:

- (a) up to 25% thereof from the date of the first anniversary of the date of grant;
- (b) up to 50% thereof from the date of the second anniversary of the date of grant;
- (c) up to 75% thereof from the date of the third anniversary of the date of grant; and
- (d) up to 100% thereof from the date of the fourth anniversary of the date of grant.

The movement of share options granted pursuant to the Company's New Option Scheme are as follows:

| Date of grant | Exercise price per share | Options outstanding at 1st August 2003 | Granted during the year | Lapsed during the year | Options outstanding at 31st July 2004 | Vested percentages at 31st July 2004 |
|----------------------|---------------------------------|---|--------------------------------|-------------------------------|--|---|
| 4th May 2004 | HK\$2.045 | | | | | |
| — Directors | | — | 4,000,000 | — | 4,000,000 | 0% |
| — Employees | | — | 10,400,000 | — | 10,400,000 | 0% |
| | | — | 14,400,000 | — | 14,400,000 | |

19 Reserves

| Group | Share premium <i>HK\$'000</i> | Leasehold land and buildings revaluation reserve <i>HK\$'000</i> | Other reserves <i>HK\$'000</i> <i>(note d)</i> | Exchange fluctuation reserve <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|---|---|---|--|--------------------------|
| At 1st August 2003 | 235,650 | — | — | (1,345) | 222,619 | 456,924 |
| Exchange differences | — | — | — | 326 | — | 326 |
| Surplus on revaluation of leasehold land and buildings | | | | | | |
| — gross | — | 28,310 | — | — | — | 28,310 |
| — deferred taxation <i>(note 22)</i> | — | (4,954) | — | — | — | (4,954) |
| Goodwill realised upon disposal and liquidation of subsidiaries | — | — | — | — | 387 | 387 |
| Profit for the year | — | — | — | — | 52,874 | 52,874 |
| 2003 final dividend paid | — | — | — | — | (30,150) | (30,150) |
| 2004 interim dividend paid | — | — | — | — | (9,045) | (9,045) |
| Transfer to other reserves | — | — | 85 | — | (85) | — |
| At 31st July 2004 | 235,650 | 23,356 | 85 | (1,019) | 236,600 | 494,672 |

19 Reserves *(Continued)*

| Group | Share premium <i>HK\$'000</i> | Leasehold land and buildings revaluation reserve <i>HK\$'000</i> | Other reserves <i>HK\$'000</i> <i>(note d)</i> | Exchange fluctuation reserve <i>HK\$'000</i> | Retained Profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------|---|--|---|--|--|---------------------------------|
| Representing: | | | | | | |
| Retained profits | — | — | — | — | 206,450 | 206,450 |
| 2004 proposed final dividend | — | — | — | — | 30,150 | 30,150 |
| Other reserves | 235,650 | 23,356 | 85 | (1,019) | — | 258,072 |
| | 235,650 | 23,356 | 85 | (1,019) | 236,600 | 494,672 |
| Retained by: | | | | | | |
| Company and subsidiaries | 235,650 | 23,356 | 85 | (802) | 225,256 | 483,545 |
| Jointly controlled entities | — | — | — | 10 | (3,812) | (3,802) |
| Associated companies | — | — | — | (227) | 15,156 | 14,929 |
| | 235,650 | 23,356 | 85 | (1,019) | 236,600 | 494,672 |

19 Reserves *(Continued)***Group**

| | Share premium <i>HK\$'000</i> | Exchange fluctuation reserve <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--|---------------------------------|
| At 1st August 2002 | 84,900 | (808) | 227,538 | 311,630 |
| Premium on issue of shares <i>(note 18)</i> | 150,750 | — | — | 150,750 |
| Exchange differences | — | (537) | — | (537) |
| Profit guarantee received in relation to goodwill previously taken to retained profits | — | — | 2,521 | 2,521 |
| Goodwill realised upon liquidation of a subsidiary and disposals 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) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st July 2003 | 235,650 | (1,345) | 222,619 | 456,924 |
| Representing: | | | | |
| Retained profits | — | — | 192,469 | 192,469 |
| 2003 proposed final dividend | — | — | 30,150 | 30,150 |
| Other reserves | 235,650 | (1,345) | — | 234,305 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 235,650 | (1,345) | 222,619 | 456,924 |
| 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 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 235,650 | (1,345) | 222,619 | 456,924 |

19 Reserves *(Continued)***Company**

| | Share premium <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------|---|---|--|---------------------------------|
| At 1st August 2003 | 235,650 | 31,896 | 31,931 | 299,477 |
| Profit for the year | — | — | 37,790 | 37,790 |
| 2003 final dividend paid | — | — | (30,150) | (30,150) |
| 2004 interim dividend paid | — | — | (9,045) | (9,045) |
| At 31st July 2004 | 235,650 | 31,896 | 30,526 | 298,072 |
| Representing: | | | | |
| Retained profits | — | — | 376 | 376 |
| 2004 proposed final dividend | — | — | 30,150 | 30,150 |
| Other reserves | 235,650 | 31,896 | — | 267,546 |
| | 235,650 | 31,896 | 30,526 | 298,072 |
| | Share premium <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| At 1st August 2002 | 84,900 | 31,896 | 25,403 | 142,199 |
| Premium on issue of shares | 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) |
| At 31st July 2003 | 235,650 | 31,896 | 31,931 | 299,477 |
| Representing: | | | | |
| Retained profits | — | — | 1,781 | 1,781 |
| 2003 proposed final dividend | — | — | 30,150 | 30,150 |
| Other reserves | 235,650 | 31,896 | — | 267,546 |
| | 235,650 | 31,896 | 31,931 | 299,477 |

19 Reserves (Continued)**Company (Continued)**

- (a) The contributed surplus of the Company represents the difference between the capitalisation amount of the Company's shares issued in exchange for the issued ordinary shares of BALtrans International (BVI) Limited and the value of net assets of the underlying subsidiaries acquired as at 6th April 1992.
- (b) 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 2004, the distributable reserves of the Company available for distribution, net of dividends paid, amounted to HK\$62,422,000 (2003: HK\$33,677,000).
- (c) As at 31st July 2004, goodwill arising from acquisitions prior to 1st August 2001, which were included in retained profits, amounted to HK\$85,119,000 (2003: HK\$85,506,000).
- (d) In accordance with the relevant government regulations and the articles of association of a subsidiary in the PRC, it is required to appropriate at each year certain percentages of its profit for the year after setting off accumulated losses brought forward (based on figures reported in the statutory accounts) to a reserve fund and an enterprises development fund respectively. These reserves are required to be retained in the accounts of the subsidiary for specific purposes.

In accordance with the relevant government regulations of a subsidiary in Macau, it is required to appropriate a minimum of twenty-five percent of its profit after taxation to the legal reserve until the balance of the reserve reaches a level equivalent to fifty percent of its capital.

20 Long-term liabilities

| | Group | |
|--|--------------------------------|--------------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Deferred consideration payable (<i>note 13(d)(iii)</i>) | 7,564 | 10,780 |
| Amounts due to minority shareholders (<i>note a</i>) | 1,998 | 1,912 |
| Obligations under finance leases (<i>note b</i>) | 839 | 1,667 |
| Secured long-term bank loan (<i>note c</i>) (<i>note 25</i>) | | |
| — wholly repayable within five years | 17,344 | — |
| — not wholly repayable within five years | — | 21,340 |
| | 27,745 | 35,699 |
| Current portion of long-term liabilities | | |
| — deferred consideration payable | (3,782) | (3,594) |
| — obligations under finance leases | (632) | (868) |
| — long-term bank loan | (3,996) | (3,996) |
| | (8,410) | (8,458) |
| | 19,335 | 27,241 |

20 Long-term liabilities *(Continued)*

- (a) The amounts due to minority shareholders are unsecured, interest-free and not repayable within the next twelve months.
- (b) Minimum lease payments for finance leases

| | Group | |
|---------------------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Within one year | 713 | 981 |
| In the second year | 124 | 672 |
| In the third to fifth year | 94 | 182 |
| After the fifth year | 8 | 38 |
| | 939 | 1,873 |
| Future finance charges | (100) | (206) |
| Present value of finance leases | 839 | 1,667 |
| Representing: | | |
| Within one year | 632 | 868 |
| In the second year | 114 | 597 |
| In the third to fifth year | 85 | 165 |
| After the fifth year | 8 | 37 |
| | 839 | 1,667 |

- (c) At 31st July 2004, the Group's long-term bank loan was repayable as follows:

| | Group | |
|----------------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Within one year | 3,996 | 3,996 |
| In the second year | 3,996 | 3,996 |
| In the third to fifth year | 9,352 | 11,988 |
| After the fifth year | — | 1,360 |
| | 17,344 | 21,340 |

21 Retirement benefit obligations

The amounts recognised in the balance sheet were determined as follows:

| | Group | |
|---------------------------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Present value of funded obligations | 6,320 | 5,350 |
| Fair value of plan assets | (4,083) | (3,514) |
| | 2,237 | 1,836 |
| Present value of unfunded obligations | (859) | (1,028) |
| Liabilities in the balance sheet | 1,378 | 808 |

The Group's defined benefit plan is in Taiwan.

The pension scheme is a defined benefit retirement scheme based on salary upon retirement. The assets of the funded plan are held independently of the Group's assets in separate trustee administered funds. The Group's retirement benefit 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:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Current service cost | 993 | 416 |
| Interest cost | 177 | 104 |
| Expected return on plan assets | (124) | (56) |
| Net actuarial losses recognised | 28 | 3 |
| Total, included in staff costs (<i>note 9</i>) | 1,074 | 467 |

The total charge of HK\$1,074,000 (2003: HK\$467,000) was included in administrative and other operating expenses.

The actual return on plan assets was HK\$47,000 (2003: HK\$29,000).

21 Retirement benefit obligations *(Continued)*

Movement of the liabilities recognised in the balance sheet is as follows:

| | Group | |
|---|-------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| At the beginning of the year | 808 | — |
| Liabilities acquired in acquisition of subsidiaries <i>(note 23(c))</i> | — | 2,293 |
| Benefit payments | (32) | (1,761) |
| Total expense — as shown above | 1,074 | 467 |
| Contributions paid | (480) | (212) |
| Exchange differences | 8 | 21 |
| At the end of the year | 1,378 | 808 |

The principal actuarial assumptions used were as follows:

| | 2004 % | 2003 % |
|--|-----------|-----------|
| Discount rate | 3.5 | 3.25 |
| Expected rate of return on plan assets | 3.5 | 3.25 |
| Expected rate of future salary increases | 0.5 | 0.5 |

22 Deferred taxation

Deferred tax (assets)/liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

| | Group | |
|---|-------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| At the beginning of the year | 415 | 230 |
| Exchange differences | (97) | (56) |
| Acquisition of a subsidiary <i>(note 23(c))</i> | — | (1,201) |
| Deferred taxation (credited)/charged to profit and loss account <i>(note 5)</i> | (8,322) | 1,442 |
| Deferred taxation charged to reserves | 4,954 | — |
| At the end of the year | (3,050) | 415 |

22 Deferred taxation (Continued)

The deferred taxation charged to reserves during the year is as follows:

| | Group | |
|--|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Leasehold land and buildings revaluation reserve (note 19) | 4,954 | — |

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

| | Provisions | | Tax losses | | Total | |
|---|-------------------|-----------------|-------------------|-----------------|-----------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At the beginning of the year | (707) | (1,013) | — | — | (707) | (1,013) |
| Acquisition of subsidiary | — | (1,201) | — | — | — | (1,201) |
| (Credited)/charged to profit and loss account | (2,808) | 1,561 | (5,468) | — | (8,276) | 1,561 |
| Exchange differences | (102) | (54) | (4) | — | (106) | (54) |
| At the end of the year | (3,617) | (707) | (5,472) | — | (9,089) | (707) |

| | Accelerated tax depreciation | | Revaluations | | Others | | Total | |
|-------------------------------------|-------------------------------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At the beginning of the year | 260 | 380 | — | — | 862 | 862 | 1,122 | 1,242 |
| Credited to profit and loss account | (46) | (120) | — | — | — | — | (46) | (120) |
| Charged to equity | — | — | 4,954 | — | — | — | 4,954 | — |
| Exchange differences | 9 | — | — | — | — | — | 9 | — |
| At the end of the year | 223 | 260 | 4,954 | — | 862 | 862 | 6,039 | 1,122 |

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$22,765,000 (2003: HK\$30,701,000) to carry forward against future taxable income and these tax losses will expiry in 2022.

22 Deferred taxation *(Continued)*

| | Group | |
|--|-----------------|----------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Deferred tax assets | (9,089) | (707) |
| Deferred tax liabilities | 6,039 | 1,122 |
| | (3,050) | 415 |
| The amounts shown in the balance sheet include the following: | | |
| Deferred tax assets to be recovered after more than 12 months | (3,891) | (707) |
| Deferred tax liabilities to be settled after more than 12 months | 6,039 | 1,122 |

23 Notes to the consolidated cash flow statement**(a) Reconciliation of profit before taxation to net cash inflow/(outflow) from operations**

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit before taxation | 65,990 | 33,682 |
| Interest expenses | 2,442 | 2,001 |
| Interest income | (795) | (861) |
| Amortisation of goodwill | 11,069 | 7,150 |
| Impairment of goodwill | — | 2,859 |
| Depreciation of owned fixed assets | 15,997 | 13,810 |
| Depreciation of leased fixed assets | 709 | 547 |
| Impairment of fixed assets | — | 7,356 |
| (Write back of deficit)/deficit on revaluation of investment properties and leasehold land and buildings | (4,682) | 7,334 |
| Net loss on disposal of subsidiaries | 25 | — |
| Net gain on disposal of associated companies | (155) | (21,493) |
| (Gain)/loss on disposals of fixed assets | (90) | 625 |
| Share of profits less losses of jointly controlled entities | (1,890) | (261) |
| Share of profits less losses of associated companies | (6,316) | (12,258) |
| Exchange differences on retranslation of deferred consideration payable | 378 | 1,275 |
| Operating profit before working capital changes | 82,682 | 41,766 |
| Increase in trade and other receivables | (43,530) | (13,234) |
| Increase/(decrease) in trade and other payables | 54,629 | (31,586) |
| Increase/(decrease) in obligations on pensions | 570 | (1,485) |
| Net cash inflow/(outflow) from operations | 94,351 | (4,539) |

23 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 | |
|---|------------------------------------|----------|------------------|----------|--------------------|----------|---|----------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$ | HK\$ | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At the beginning of the year | 265,800 | 109,020 | — | — | 15,088 | 21,078 | 68,489 | 29,126 |
| Net cash (outflow) / inflow from financing | — | — | (39,195) | (33,165) | (4,475) | (7,152) | 1,586 | (6,855) |
| Issue of shares (notes 18 and 19) | — | 156,780 | — | — | — | — | — | — |
| Interest charged to profit and loss account | — | — | — | — | — | — | — | 2,001 |
| Minority interests' share of profit | — | — | — | — | 4,855 | 4,322 | — | — |
| Minority interests' share of goodwill realised upon disposal of associated companies | — | — | — | — | — | 1,000 | — | — |
| Liquidation and disposal of subsidiaries (note 23(d)) | — | — | — | — | (355) | — | — | — |
| Dividends | — | — | 39,195 | 33,165 | — | — | — | — |
| Inception of finance leases | — | — | — | — | — | — | — | 182 |
| Acquisition of subsidiaries (note 23(c)) | — | — | — | — | 4,039 | (4,117) | — | 44,035 |
| Exchange differences | — | — | — | — | (47) | (43) | 266 | — |
| At the end of the year | 265,800 | 265,800 | — | — | 19,105 | 15,088 | 70,341 | 68,489 |

23 Notes to the consolidated cash flow statement (Continued)**(c) Acquisition of subsidiaries**

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Net assets acquired | | |
| Fixed assets (<i>note 11</i>) | 4,430 | 29,228 |
| Jointly controlled entities | — | 7,280 |
| Trade and other receivables | 34,029 | 286,308 |
| Bank balances and cash | 2,932 | 32,771 |
| Trade and other payables | (29,011) | (198,510) |
| Tax payable | — | (656) |
| Bank overdrafts | — | (21,103) |
| Long-term liabilities | — | (44,035) |
| Deferred taxation (<i>note 22</i>) | — | 1,201 |
| Obligations on pensions (<i>note 21</i>) | — | (2,293) |
| Minority interests | (4,039) | (191) |
| | 8,341 | 90,000 |
| Interest originally held by a minority shareholder | — | 4,308 |
| | 8,341 | 94,308 |
| Goodwill (<i>note 12</i>) | 10,897 | 75,154 |
| Purchase consideration | 19,238 | 169,462 |
| Less: direct costs on acquisitions | — | (4,452) |
| | 19,238 | 165,010 |
| Satisfied by | | |
| Allotment of shares | — | 156,780 |
| Deposits | 12,226 | — |
| Cash | 7,012 | 8,230 |
| | 19,238 | 165,010 |
| Analysis of the net outflow in respect of the acquisition of subsidiaries: | | |
| Cash consideration | 7,012 | 8,230 |
| Cash paid for direct costs on acquisition | — | 4,452 |
| Bank balances and cash on hand of subsidiaries acquired | (2,932) | (32,771) |
| Bank overdrafts of subsidiaries acquired | — | 21,103 |
| Net cash outflow in respect of acquisition of subsidiaries | 4,080 | 1,014 |

23 Notes to the consolidated cash flow statement *(Continued)***(d) Disposal of subsidiaries**

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Net assets disposed of: | | |
| Fixed assets | 82 | — |
| Trade and other receivables | 788 | — |
| Tax receivable | 28 | — |
| Bank balances and cash | 848 | — |
| Trade and other payables | (638) | — |
| Minority interests | (355) | — |
| | 753 | — |
| Release of goodwill upon disposal of subsidiaries | 387 | — |
| | 1,140 | — |
| Loss on disposal | (25) | — |
| | 1,115 | — |
| Satisfied by: | | |
| Cash | 1,115 | — |
| Bank balances and cash disposed of | (848) | — |
| Net cash inflow in respect of disposal of subsidiaries | 267 | — |

24 Commitments**(a) Capital commitments**

| | Group | |
|---------------------------------|--------------------------------|-------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Contracted but not provided for | | |
| — investments | 18,433 | 4,737 |
| — fixed assets | 2,241 | — |
| | 20,674 | 4,737 |

24 Commitments *(Continued)***(a) Capital commitments** *(Continued)*

During the year, the Group has entered into a sale and purchase agreement for the further acquisition of the interests in Jardine-CCTA Logistics Services Limited, a jointly controlled entity. Pursuant to the agreement, the Group is committed to pay a total consideration of HK\$13,813,000 (2003: not applicable).

The Group has also entered into a sale and purchase agreement for a joint venture in Shenzhen. Pursuant to the agreement, the Group is committed to pay a total consideration of HK\$3,384,000 (2003: not applicable).

The Group also had obtained official approval for BALtrans Logistics (China) Limited, a subsidiary, to set up two new branches in China. Pursuant to the approval, the Group's share of the commitment for the increase of this subsidiary's paid up capital amounted to HK\$1,236,000 (2003: HK\$4,737,000).

(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:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---|------------------|------------------|
| Not later than one year | 35,071 | 36,199 |
| Later than one year and not later than five years | 50,678 | 44,880 |
| Later than five years | 16,105 | 15,880 |
| | 101,854 | 96,959 |

25 Banking facilities

| | 2004 HK\$'000 | 2003 HK\$'000 |
|-----------------------------|------------------|------------------|
| Banking facilities obtained | | |
| — secured <i>(note a)</i> | 301,930 | 305,059 |
| — unsecured <i>(note b)</i> | 24,310 | 31,800 |
| | 326,240 | 336,859 |

25 Banking facilities *(Continued)*

(a) At 31st July 2004, details of secured banking facilities were utilised as follows:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Bank overdrafts | 15,980 | 15,673 |
| Short-term bank loans | 50,160 | 43,570 |
| Long-term bank loan (<i>note 20</i>) | 17,344 | 21,340 |
| | 83,484 | 80,583 |
| Bank guarantees to third parties | 48,994 | 62,434 |
| | 132,478 | 143,017 |

At 31st July 2004, the above Group's banking facilities are secured by the following:

- (i) fixed deposits of HK\$1,246,000 (2003: HK\$2,450,000) of the Group;
- (ii) first legal charges on leasehold land and buildings in Hong Kong held by the Group (*note 11*);
- (iii) corporate guarantee from the Company;
- (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; and
- (v) second mortgage on two properties owned by independent third parties and personal guarantees provided by individuals.

(b) As at 31st July 2004, unsecured bank overdrafts of amounts of HK\$25,000 (2003: HK\$141,000) were utilised.

26 Contingent liabilities

Except for the Group's bank guarantees provided to third parties as disclosed in note 25(a), the Group has the following significant contingent liabilities as at 31st July 2004:

- (a) At 31st July 2004, the Group provided guarantees to banks in respect of banking facilities granted to certain associated companies amounting to HK\$26.3 million (2003: HK\$26.3 million) of which HK\$20.5 million (2003: HK\$21.4 million) was utilised.

At 31st July 2004, the Group provided guarantees to an airline company for credit facilities of a third party service provider amounting to HK\$1.0 million (2003: HK\$1.0 million) which was fully utilised.

26 Contingent liabilities *(Continued)*

- (b) The Group has contingent consideration payable in relation to the acquisition of Corporate Century and BALtrans Canada as described in note 13(d)(ii).
- (c) The Group has contingent consideration payable in relation to the acquisition of an additional 12.5% equity interests in Supreme as described in note 13(d)(iii).
- (d) The Group has contingent consideration payable in relation to the acquisition of 60% of Exhibitstrans as described in note 13(d)(iv).

27 Related party transactions

Except for the related party transactions disclosed elsewhere in the accounts, the Group had the following material related party transactions carried out in the normal course of the Group's businesses during the year:

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Transactions with jointly controlled entities | | | |
| Forwarding income received | <i>(a)</i> | 39,534 | 20,134 |
| Forwarding costs paid | <i>(a)</i> | 55,863 | 35,933 |
| Transactions with associated companies | | | |
| Forwarding income received | <i>(a)</i> | 25,455 | 42,231 |
| Forwarding costs paid | <i>(a)</i> | 7,934 | 13,510 |
| Warehousing income received | <i>(b)</i> | — | 2,621 |
| Transactions with related companies | | | |
| Forwarding income received | <i>(a)</i> | 38,687 | 44,524 |
| Forwarding costs paid | <i>(a)</i> | 7,765 | 6,385 |

- (a) These transactions were conducted at terms in accordance with the agreements as entered into or at terms as agreed between the Group and the respective related parties.
- (b) Warehousing income in last year was mainly from the then associated company, Wilson Freight (Far East) Limited, and was charged at agreed rates.

28 Principal subsidiaries, jointly controlled entities and associated companies

(a) Details of the principal subsidiaries of the Company at 31st July 2004 are as follows:

| Name | Place of incorporation/ operation | Principal activities | Particulars of issued ordinary share capital | Interest held | |
|---|--------------------------------------|---------------------------|--|---------------|------|
| | | | | 2004 | 2003 |
| Held directly: | | | | | |
| BALtrans International (BVI) Limited | British Virgin Islands ("BVI") | Investment holding | US\$130,000 | 100% | 100% |
| BJ Logistics Holdings Ltd (formerly Jardine Logistics Holdings Ltd) | BVI/Hong Kong | Investment holding | HK\$120,500,611 | 100% | 100% |
| Held indirectly: | | | | | |
| BALtrans (Australia) Pty. Limited | Australia | Freight forwarding | A\$10,000 | 75% | 75% |
| BALtrans (BVI) Limited | BVI/Hong Kong | Freight forwarding agency | US\$10,000 | 100% | 100% |
| BALtrans (China) Limited | Hong Kong | Investment holding | HK\$2,000,000 | 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% |

28 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*(a) Details of the principal subsidiaries of the Company at 31st July 2004 are as follows *(Continued)*:

| Name | Place of incorporation/ operation | Principal activities | Particulars of issued ordinary share capital | Interest held | |
|---|--------------------------------------|---|--|---------------|------|
| | | | | 2004 | 2003 |
| Held indirectly <i>(Continued)</i> : | | | | | |
| 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 ("USA") | Freight forwarding | US\$1,000 | 100% | 100% |
| BALtrans Logistics Inc. | USA | Freight forwarding | US\$1,000 | 100% | 100% |
| Carmen Services Limited | BVI/Hong Kong | Freight forwarding agency | US\$10,000 | 87% | 87% |
| Supreme Airfreight Company Limited | Hong Kong | Freight forwarding | HK\$1,500,000 | 87% | 87% |
| 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% | 87% |

28 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*(a) Details of the principal subsidiaries of the Company at 31st July 2004 are as follows *(Continued)*:

| Name | Place of incorporation/ operation | Principal activities | Particulars of issued ordinary share capital | Interest held | |
|---|--------------------------------------|-----------------------------------|--|---------------|------|
| | | | | 2004 | 2003 |
| Held indirectly <i>(Continued)</i> : | | | | | |
| 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 | 87% | 87% |
| Radical Services Limited | BVI/Hong Kong | Freight forwarding agency | US\$10,000 | 89% | 89% |
| Fond Express Logistics Limited | Hong Kong | Freight forwarding | HK\$1,000,000 | 89% | 89% |
| BALtrans Global Logistics Limited | BVI/Hong Kong | 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. | USA | Freight forwarding | US\$80,000 | 89% | 89% |
| Fond Express International (SFO) Inc. | USA | Freight forwarding | US\$70,000 | 89% | 89% |

28 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*(a) Details of the principal subsidiaries of the Company at 31st July 2004 are as follows *(Continued)*:

| Name | Place of incorporation/ operation | Principal activities | Particulars of issued ordinary share capital | Interest held | |
|---|--------------------------------------|--|--|---------------|------|
| | | | | 2004 | 2003 |
| Held indirectly <i>(Continued)</i> : | | | | | |
| Helu-Trans (S) Pte. Limited | Singapore | Household and exhibition removal | S\$250,000 | 60% | 60% |
| BALtrans Logistics (M) Sdn. Bhd. | Malaysia | Freight forwarding | RM600,000 | 100% | 100% |
| Muragawa Logistics Limited | Hong Kong | Freight forwarding | HK\$1,500,000 | 52% | 52% |
| Win Profit Corporation Limited | Hong Kong | Property holding | HK\$10,000 | 100% | 100% |
| BALtrans Logistics (Hong Kong) Limited (formerly Jardine Logistics Services (HKG) Limited) | Hong Kong | Freight forwarding | HK\$1,000,000 | 100% | 100% |
| JLS Transport Services (China) Ltd (formerly Jardine Transport Services (China) Limited) | Hong Kong | Investment holding | HK\$2,000,000 | 100% | 100% |
| JLS Transport (Shenzhen) Ltd (formerly Jardine Transport (Shenzhen) Company Limited) | PRC | Freight forwarding | HK\$2,500,000 | 100% | 100% |
| Shanghai JLS Logistics Ltd (formerly Jardine Logistics Services (Shanghai) Company Limited) | PRC | Warehousing, distribution and logistics services | US\$200,000 | 100% | 100% |

28 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*(a) Details of the principal subsidiaries of the Company at 31st July 2004 are as follows *(Continued)*:

| Name | Place of incorporation/ operation | Principal activities | Particulars of issued ordinary share capital | Interest held | |
|--|--------------------------------------|----------------------|--|---------------|------|
| | | | | 2004 | 2003 |
| Held indirectly <i>(Continued)</i> : | | | | | |
| JLS Logistics Ltd (formerly Jardine Logistics Services (Taiwan) Limited) | Taiwan | Freight forwarding | NT\$12,500,000 | 100% | 100% |
| JLS Logistics (Singapore) Pte Ltd (formerly Jardine Logistics (Singapore) Pte Limited) | Singapore | Freight forwarding | S\$600,002 | 100% | 100% |
| JLS Logistics (Malaysia) Sdn Bhd (formerly Jardine logistics Services Sdn. Bhd.) | Malaysia | Freight forwarding | RM300,000 A shares RM200,000 B shares | 100% | 100% |
| BALtrans International Logistics (Thailand) Ltd (formerly Jardine Logistics Services (Thailand) Limited) | Thailand | Freight forwarding | Baht5,880,000 | 100% | 100% |
| PT BALtrans Logistics Indonesia (formerly PT Jaringan Logistik Semesta) | Indonesia | Freight forwarding | Rp1,550,000,000 | 100% | 100% |
| JTS (UK) Holdings Limited | United Kingdom | Investment holding | £1,000 | 100% | 100% |
| JLS Logistics UK Ltd (formerly Jardine Freight Services International Limited) | United Kingdom | Freight forwarding | £30,000 | 75% | 75% |

28 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*(a) Details of the principal subsidiaries of the Company at 31st July 2004 are as follows *(Continued)*:

| Name | Place of incorporation/ operation | Principal activities | Particulars of issued ordinary share capital | Interest held | |
|---|--------------------------------------|--------------------------------|--|---------------|------|
| | | | | 2004 | 2003 |
| Held indirectly <i>(Continued)</i> : | | | | | |
| Freight Solutions International, LLC | USA | Freight forwarding | US\$2,794,702 | 100% | 100% |
| BALtrans Logistics (China) Limited | PRC | Freight forwarding | US\$1,360,000 | 66% | — |
| Exhibitstrans Logistics Limited | Hong Kong | Exhibition forwarding services | HK\$500,000 | 60% | — |

(b) Details of the principal jointly controlled entities at 31st July 2004 are as follows:

| Name | Place of incorporation and operations | Principal activities | Percentage of interest in ownership/ voting power/ profit sharing | |
|--|---------------------------------------|----------------------------------|---|------|
| | | | 2004 | 2003 |
| Held indirectly: | | | | |
| Shanghai BALtrans Exhibition & Removal Limited | PRC | Household and exhibition removal | 29% | 29% |
| BALtrans International Cargo Limited | PRC | Freight forwarding | 50% | 50% |

28 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*(b) Details of the principal jointly controlled entities at 31st July 2004 are as follows *(Continued)*:

| Name | Place of incorporation and operations | Principal activities | Percentage of interest in ownership/ voting power/ profit sharing | |
|--|---|---|---|------|
| | | | 2004 | 2003 |
| Held indirectly <i>(Continued)</i> : | | | | |
| United Asia Terminals (Yantain) Limited | PRC | Warehousing, distribution and logistics services | 40% | 40% |
| Jardine-CCTA Logistics Services Limited | PRC | Freight forwarding | 45% | 45% |

(c) Details of the principal associated companies at 31st July 2004 are as follows:

| Name | Place of incorporation and operations | Principal activities | Interest held | |
|--|---|-------------------------|---------------|------|
| | | | 2004 | 2003 |
| Held indirectly: | | | | |
| BALtrans Logistics (Thailand) Co., Limited | Thailand | Freight forwarding | 49% | 49% |
| Korchina Logistics (HK) Limited | Hong Kong | Freight forwarding | 50% | 50% |
| BAL-CAN Forwarding Inc. | Canada | Freight forwarding | 49% | 49% |

28 Principal subsidiaries, jointly controlled entities and associated companies *(Continued)*(c) Details of the principal associated companies at 31st July 2004 are as follows *(Continued)*:

| Name | Place of incorporation and operations | Principal activities | Interest held | |
|---|---|-------------------------|---------------|------|
| | | | 2004 | 2003 |
| Held indirectly <i>(Continued)</i> : | | | | |
| Korchina Logistics (Singapore) Pte Ltd (formerly Korchina Freight Pte Ltd.) | Singapore | Freight forwarding | 50% | 50% |
| PT i-Logistics BALtrans Indonesia | Indonesia | Freight forwarding | 30% | 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 and/or the net assets of the Group.

29 Approval of accounts

The accounts were approved by the board of directors on 25th November 2004.