

Notes to the Accounts

1. 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 (the "HKICPA"). They have been prepared under the historical cost convention except that leasehold land and buildings are stated at valuation and other investments are stated at fair values.

2. Principal accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has early adopted the following new HKFRSs with effect from 1st August 2004:

- HKFRS 3 Business Combinations
- HKAS 36 Impairment of Assets
- HKAS 38 Intangible Assets

HKFRS 3 prescribes the accounting for business combinations and goodwill. The early adoption of HKFRS 3 requires the early adoption of HKAS 36 and HKAS 38. The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policies as follows:

Prior to the adoption of these new HKFRSs:

- goodwill on acquisitions occurred on or after 1st August 2001 was included under intangible assets and was amortised on the straight-line basis over its estimated useful life of ten years;
- goodwill on acquisitions that occurred prior to 1st August 2001 was taken directly to reserves and such goodwill had not been retroactively capitalised and amortised;
- goodwill was assessed for impairment at each balance sheet date; and
- on the disposal of subsidiaries, jointly controlled entities and associated companies, the gain or loss on disposal was calculated by reference to the Group's share of its net assets at the date of disposal, together with any unamortised goodwill, including goodwill previously taken directly to reserves, which was not previously charged or recognised in the consolidated profit and loss account.

Notes to the Accounts

2. Principal accounting policies *(Continued)*

Upon adoption of these new HKFRSs:

- the Group ceased the amortisation of goodwill from 1st August 2004;
- the accumulated amortisation of goodwill arising on the acquisitions of subsidiaries as at 1st August 2004 has been eliminated with a corresponding decrease in the respective cost of goodwill at that date;
- commencing from 1st August 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment;
- on the disposal of subsidiaries, jointly controlled entities and associated companies, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously taken directly to reserves is not included in the calculation of the gain or loss on disposal; and
- for acquisitions effective from 1st August 2004, the Group has recognised at the acquisition date, separately from goodwill, intangible assets of the acquiree.

HKFRS 3, HKAS 36 and HKAS 38 do not require retrospective application and have no impact on the opening retained profits of the Group as at 1st August 2004.

The adoption of HKFRS 3 has resulted in an increase in the Group's profit attributable to shareholders of HK\$11,069,000 for the year ended 31st July 2005, representing the amortisation of goodwill no longer charged. In addition, in respect of the disposal of subsidiaries during the year, goodwill of HK\$16,017,000 previously taken directly to reserves was not included in arriving at the gain on disposal. This would have been taken into account prior to the adoption of HKFRS 3.

The Group has not early adopted other new HKFRSs in the accounts for the year ended 31st July 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to analyse and quantify the impact on its results of operations and financial position.

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

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st July.

2. Principal accounting policies *(Continued)*

(a) Basis of consolidation *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (*note 2(e)(i)*).

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in jointly controlled entities and associated companies are initially recognised at cost. The Group's investments in jointly controlled entities and associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (*note 2(e)(i)*).

The Group's share of the post-acquisition profits or losses of the jointly controlled entities and associated companies is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

On disposal of subsidiaries, jointly controlled entities and associated companies, the gain or loss on disposal is calculated by reference to the net assets of the subsidiaries, jointly controlled entities and associated companies at the date of disposal, including the attributable amount of goodwill except as further explained in *note 2(e)(i)* in respect of the attributable goodwill previously accounted for directly in the consolidated reserves at the time of acquisition.

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(b) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies.

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

(c) 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.

(d) Associated companies

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

(e) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity and associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill on acquisitions after 1st August 2004 is not amortised. Goodwill already carried in the consolidated balance sheet as at 1st August 2004 is not amortised after that date and the carrying amount of the accumulated amortisation of goodwill was eliminated with a corresponding decrease in the cost of related goodwill as at that date. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2. Principal accounting policies *(Continued)*

(e) Intangible assets *(Continued)*

(i) *Goodwill (Continued)*

Goodwill arising on acquisitions before 1st August 2001 was accounted for directly in the consolidated reserves at the time of acquisition. When the Group disposes of all or part of the business to which that goodwill relates, such goodwill is not included in the calculation of gain or loss on disposal.

(ii) *Other intangible assets*

Other intangible assets are shown at cost incurred upon acquisition and are carried at cost less accumulated amortisation. Amortisation is calculated to write off their cost less accumulated impairment losses on a straight-line basis over their expected useful lives of 10 years.

(f) Fixed assets

(i) *Leasehold land and buildings*

Leasehold land and buildings are stated at valuation, which are based on regular independent or directors' valuations on an open market basis related to individual properties and separate values are not attributed to land and buildings. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged 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 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%.

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(f) Fixed assets *(Continued)*

(ii) *Other fixed assets*

Fixed assets other than 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.

(iii) *Gain or loss on disposal of fixed assets*

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Upon disposal of fixed assets, any revaluation reserve attributable to the relevant asset is transferred to retained profits as a movement in reserves.

(g) Assets under leases

(i) *Finance leases*

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

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

2. Principal accounting policies *(Continued)*

(g) Assets under leases *(Continued)*

(ii) *Operating leases*

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

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and such impairment losses are recognised in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

(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 realised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits and 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.

(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.

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(l) Provisions

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

(m) Deferred taxation

Deferred taxation is 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.

(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 their profit and loss accounts are translated at average exchange rates. Exchange differences are dealt with as a movement in reserves.

(o) Revenue recognition

(i) Revenues from the provision of freight forwarding services are recognised when 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 exhibition forwarding and household removal services and third party logistics (representing trucking and warehousing services) are recognised when the services are rendered.

2. Principal accounting policies *(Continued)*

(o) Revenue recognition *(Continued)*

- (iii) Revenue from the provision of management services is recognised when the services are rendered.
- (iv) Revenue from the letting of property is recognised on a straight-line basis over the period of the lease.
- (v) 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 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 benefits*

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.

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

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(p) Employee benefits *(Continued)*

(iii) Retirement benefits (Continued)

For the defined benefit plan, retirement benefit costs are assessed using the projected unit credit method: the cost of providing retirement benefits 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. Retirement liabilities are 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

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

(q) 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 reliability.

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.

(r) Borrowing costs

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

2. Principal accounting policies *(Continued)*

(s) 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, intangible assets, trade and other receivables, other investments and operating cash and mainly exclude tax recoverable and deferred tax assets. Segment liabilities comprise trade and other payables, bank borrowings and other non-current liabilities and mainly exclude tax payable and deferred tax liabilities. Capital expenditure comprises additions to fixed assets and intangible assets.

Notes to the Accounts

3. Turnover, revenues and segment information

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		
Revenue from rendering freight forwarding services		
Air freight	2,197,372	1,779,018
Sea freight	1,286,781	1,336,862
Exhibition forwarding and household removal services	133,434	94,075
Third party logistics	88,723	90,992
	3,706,310	3,300,947
Other revenues		
Property letting	338	435
Management fee from associated companies	996	720
Interest income from		
Associated companies	74	253
Banks	1,454	542
	2,862	1,950
	3,709,172	3,302,897

The Group is principally engaged in the provision of air and sea freight forwarding services, exhibition forwarding and household removal services and third party logistics (representing trucking and warehousing services).

3. Turnover, revenues and segment information *(Continued)*

(a) Primary reporting format — geographical segments

	For the year ended 31st July 2005					
	Greater China# HK\$'000	North America HK\$'000	Southeast Asia HK\$'000	Europe HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
External	2,332,860	726,360	305,823	341,267	—	3,706,310
Inter-segment	404,617	83,146	26,706	35,036	(549,505)	—
Total	<u>2,737,477</u>	<u>809,506</u>	<u>332,529</u>	<u>376,303</u>	<u>(549,505)</u>	<u>3,706,310</u>
Segment results	<u>94,315</u>	<u>24,822</u>	<u>8,145</u>	<u>3,936</u>	<u>—</u>	<u>131,218</u>
Finance costs	(2,671)	(344)	(197)	(147)	—	(3,359)
Share of profits less losses of						
Jointly controlled entities	(2,451)	—	—	—	—	(2,451)
Associated companies	9,369	24	1,077	(1,066)	—	<u>9,404</u>
Profit before taxation						134,812
Taxation						<u>(15,220)</u>
Profit after taxation						119,592
Minority interests						<u>(8,605)</u>
Profit attributable to shareholders						<u>110,987</u>
Segment assets	947,770	165,580	89,256	85,983	—	1,288,589
Jointly controlled entities	3,461	—	—	—	—	3,461
Associated companies	29,516	798	3,360	(2,531)	—	31,143
Unallocated assets						<u>9,997</u>
Total assets						<u>1,333,190</u>
Segment liabilities	482,714	33,788	35,150	80,887	—	632,539
Unallocated liabilities						<u>32,184</u>
Total liabilities						<u>664,723</u>
Capital expenditure for						
Fixed assets	21,193	1,138	2,182	573	—	25,086
Intangible assets	22,715	—	—	—	—	22,715
Depreciation charge	15,276	896	2,949	1,374	—	20,495
Amortisation of other intangible assets	178	—	—	—	—	178

Notes to the Accounts

3. Turnover, revenues and segment information *(Continued)*

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

	For the year ended 31st July 2004						Group HK\$'000
	Greater China# HK\$'000	North America HK\$'000	Southeast Asia HK\$'000	Europe HK\$'000	Elimination HK\$'000		
Turnover							
External	2,006,036	661,954	318,747	314,210	—		3,300,947
Inter-segment	290,339	76,466	34,656	32,955	(434,416)		—
Total	<u>2,296,375</u>	<u>738,420</u>	<u>353,403</u>	<u>347,165</u>	<u>(434,416)</u>		<u>3,300,947</u>
Segment results	49,994	(1,924)	11,431	725	—		60,226
Finance costs	(1,208)	(618)	(415)	(201)	—		(2,442)
Share of profits less losses of							
Jointly controlled entities	1,890	—	—	—	—		1,890
Associated companies	6,846	(93)	(437)	—	—		<u>6,316</u>
Profit before taxation							65,990
Taxation							<u>(8,261)</u>
Profit after taxation							57,729
Minority interests							<u>(4,855)</u>
Profit attributable to shareholders							<u>52,874</u>
Segment assets	689,858	165,259	92,124	81,674	—		1,028,915
Jointly controlled entities	13,088	—	—	—	—		13,088
Associated companies	20,699	422	5,492	—	—		26,613
Unallocated assets							<u>11,253</u>
Total assets							<u>1,079,869</u>
Segment liabilities	359,851	34,542	50,311	71,455	—		516,159
Unallocated liabilities							<u>19,783</u>
Total liabilities							<u>535,942</u>
Capital expenditure for							
Fixed assets	13,982	909	4,024	697	—		19,612
Intangible assets	10,897	—	—	—	—		10,897
Depreciation charge	11,166	1,082	3,056	1,402	—		16,706
Amortisation of goodwill	7,887	3,182	—	—	—		11,069

Greater China segment includes Hong Kong, the People's Republic of China (the "PRC") and Taiwan. The segment information for the year ended 31st July 2004 has been reclassified for the segment results of Taiwan from Southeast Asia segment to Greater China segment to conform with the current year's presentation.

3. Turnover, revenues and segment information *(Continued)*

(b) Secondary reporting format — business segments

	For the year ended 31st July 2005			
	Turnover	Segment	Total	Capital
	HK\$'000	results	assets	expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Air freight	2,197,372	64,843	466,480	11,140
Sea freight	1,286,781	24,855	344,340	7,768
Exhibition forwarding and household removal services	133,434	15,435	71,429	928
Third party logistics	88,723	1,483	82,071	5,250
	3,706,310	106,616	964,320	25,086
Jointly controlled entities	—	—	3,461	—
Associated companies	—	—	31,143	—
Unallocated*	—	24,602	334,266	—
Total	3,706,310	131,218	1,333,190	25,086
	For the year ended 31st July 2004			
	Turnover	Segment	Total	Capital
	HK\$'000	results	assets	expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Air freight	1,779,018	40,361	432,270	6,984
Sea freight	1,336,862	13,436	264,436	4,565
Exhibition forwarding and household removal services	94,075	6,014	50,946	1,474
Third party logistics	90,992	(4,267)	52,207	6,589
	3,300,947	55,544	799,859	19,612
Jointly controlled entities	—	—	13,088	—
Associated companies	—	—	26,613	—
Unallocated*	—	4,682	240,309	—
Total	3,300,947	60,226	1,079,869	19,612

* Segment results include the write back of deficit on revaluation of leasehold land and buildings. Total assets comprise goodwill, leasehold land and buildings, tax recoverable and deferred tax assets.

Notes to the Accounts

4. Operating profit

Operating profit is stated after crediting and charging the following:

	2005 HK\$'000	2004 HK\$'000
Crediting		
Gain on disposals of subsidiaries	8,228	—
Net gain on disposals of associated companies	—	155
Net gain on disposals of fixed assets	—	90
Charging		
Amortisation charge		
— goodwill	—	11,069
— other intangible assets	178	—
Depreciation charge		
— owned fixed assets	20,304	15,997
— leased fixed assets	191	709
Net loss on disposals of fixed assets	45	—
Operating leases rental in respect of land and buildings	48,641	49,863
Bad and doubtful debts	15,420	9,604
Staff costs, including directors' remuneration (<i>note 10</i>)	297,178	262,360
Auditors' remuneration	4,641	4,519

5. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	3,274	2,320
Interest element of finance leases	85	122
	3,359	2,442

6. Taxation

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	4,676	2,717
Overseas taxation charge	8,948	9,011
(Over)/under provision in prior years	(1,135)	2,615
Deferred taxation (<i>note 23</i>)	473	(8,322)
	12,962	6,021
Share of taxation attributable to		
Jointly controlled entities	408	1,256
Associated companies	1,850	984
Taxation charge	15,220	8,261

Hong Kong profits tax has been provided for at the rate of 17.5% (2004: 17.5%) 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.

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:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation	134,812	65,990
Calculated at a taxation rate of 17.5% (2004: 17.5%)	23,592	11,548
Effect of different taxation rates in other countries	(4,586)	(3,840)
Income not subject to taxation	(15,874)	(2,302)
Expenses not deductible for taxation purposes	12,076	13,364
Utilisation of previously unrecognised tax losses	(2,284)	(268)
Recognition of previously unrecognised temporary differences	(5,031)	(5,198)
(Over)/under provision in prior years	(1,135)	2,615
Others	8,462	(7,658)
Taxation charge	15,220	8,261

Notes to the Accounts

7. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$53,580,000 (2004: HK\$37,790,000).

8. Dividends

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim, paid, of HK3.3 cents (2004: HK3.0 cents) per share	9,950	9,045
Final, proposed, of HK11.0 cents (2004: HK10.0 cents) per share	33,242	30,150
Special, proposed, of HK2.0 cents (2004: Nil) per share	6,044	—
	49,236	39,195

At a meeting held on 22nd November 2005, the directors proposed a final dividend and a special dividend of HK11.0 cents and HK2.0 cents per share respectively. This proposed final dividend and special dividend are not reflected as dividends payable in the accounts, but will be reflected as an appropriation of retained profits for the year ending 31st July 2006.

9. Earnings per share

The basic and diluted earnings per share for the year ended 31st July 2005 are calculated as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit attributable to shareholders	110,987	52,874
Weighted average number of shares in issue during the year for the purpose of basic earnings per share (thousands)	301,606	301,501
Effect of dilutive potential shares in respect of share options deemed to be issued at no consideration (thousands)	3,863	284
Weighted average number of shares for the purpose of diluted earnings per share (thousands)	305,469	301,785

10. Staff costs, including directors' remuneration

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	281,330	251,307
Termination benefits	3,072	(115)
Retirement benefit costs		
Defined contribution schemes	11,456	10,094
Defined benefit scheme (note 22)	1,320	1,074
	297,178	262,360

Defined contribution retirement benefit schemes included forfeited contributions of which HK\$232,000 (2004: HK\$243,000) was utilised during the year. There was no forfeiture available at 31st July 2005 to reduce future contributions (2004: HK\$13,000).

Contributions totalling HK\$3,688,000 (2004: HK\$2,528,000) were payable to the retirement benefit schemes at 31st July 2005 and were included under other payables.

11. Directors' and senior management's emoluments**(a) Directors' emoluments**

The remuneration of every director is set out below:

Name of directors	For the year ended 31st July 2005					
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Benefits in kind HK\$'000 (note i)	Contributions to retirement benefit scheme HK\$'000	Total HK\$'000
Mr Anthony Siu Wing LAU	—	3,252	1,591	—	31	4,874
Mr Hooi Chong NG (note ii)	—	1,485	1,078	—	12	2,575
Mr David Chung Hung WAI	—	1,170	398	627	1	2,196
Mr William Hugh Purton BIRD	—	360	—	—	—	360
Mr David Hon To YU	150	—	—	—	—	150
Mr Peter James Holland RILEY	100	—	—	—	—	100
Mr Christopher John David CLARKE	100	—	—	—	—	100
Mr Cheung Shing NG (note iii)	100	—	—	—	—	100
Ms Miriam Kin Yee LAU	—	—	—	—	—	—
	450	6,267	3,067	627	44	10,455

Notes to the Accounts

11. Directors' and senior management's emoluments (Continued)

(a) Directors' emoluments (Continued)

Name of directors	For the year ended 31st July 2004					
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Benefits in kind HK\$'000 (Note i)	Contributions to retirement benefit scheme HK\$'000	Total HK\$'000
Mr Anthony Siu Wing LAU	—	3,251	866	—	30	4,147
Mr David Chung Hung WAI	—	2,102	289	—	—	2,391
Mr William Hugh Purton BIRD	—	360	—	—	—	360
Mr David Hon To YU	150	—	—	—	—	150
Mr Peter James Holland RILEY	100	—	—	—	—	100
Mr Christopher John David CLARKE	100	—	—	—	—	100
	350	5,713	1,155	—	30	7,248

- (i) Benefits in kind mainly included the difference between the aggregate amount of the market price of the Company's shares issued upon the date on which the director exercised the share options and the amount paid by him in exercising these share options.
- (ii) Mr Hooi Chong NG was appointed on 11th January 2005 as an executive director of the company.
- (iii) Mr Cheung Sing NG was appointed on 22nd September 2004 as an independent non-executive director of the company.
- (iv) During the year, Ms Miriam Kin Yee LAU agreed to waive her emoluments.
- (v) At 31st July 2005, three (2004: two) directors of the Company had 4,700,000 (2004: 4,000,000) share options which are exercisable at HK\$2.045 per share granted by the Company on 4th May 2004 under the Share Option Scheme. Details of the share options are set out in note 19 to the accounts.

11. Directors' and senior management's emoluments *(Continued)***(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three (2004: three) individuals during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Basic salaries and discretionary bonuses	7,582	6,975
Contributions to retirement benefit schemes	367	242
	7,949	7,217

Their emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
HK\$1,500,001 — HK\$2,000,000	—	2
HK\$2,000,001 — HK\$2,500,000	1	—
HK\$2,500,001 — HK\$3,000,000	2	—
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 (2004: Nil).

Notes to the Accounts

12. Fixed assets

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer system <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation						
At 1st August 2004	128,096	49,036	36,502	15,051	45,806	274,491
Exchange differences	25	440	189	(38)	(65)	551
Acquisition of subsidiaries	—	828	1,184	1,277	3,502	6,791
Transfer	—	—	(3,789)	—	3,789	—
Additions	—	5,634	5,226	2,431	11,795	25,086
Disposals	—	(4,825)	(3,622)	(3,010)	(15,092)	(26,549)
Revaluation	69,398	—	—	—	—	69,398
At 31st July 2005	197,519	51,113	35,690	15,711	49,735	349,768
Accumulated depreciation and impairment						
At 1st August 2004	3,101	37,067	25,043	9,845	38,878	113,934
Exchange differences	1	185	97	(64)	(43)	176
Acquisition of subsidiaries	—	453	707	598	2,007	3,765
Transfer	—	—	(2,175)	—	2,175	—
Depreciation charge	3,074	5,836	4,017	1,751	5,817	20,495
Disposals	—	(4,711)	(2,729)	(1,995)	(14,356)	(23,791)
Revaluation	(6,176)	—	—	—	—	(6,176)
At 31st July 2005	—	38,830	24,960	10,135	34,478	108,403
Net book value						
At 31st July 2005	197,519	12,283	10,730	5,576	15,257	241,365
At 31st July 2004	124,995	11,969	11,459	5,206	6,928	160,557

12. Fixed assets (Continued)

The analysis of the cost or valuation of the assets is as follows:

	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
31st July 2005						
At cost	—	51,113	35,690	15,711	49,735	152,249
At 2005 directors' valuation	6,679	—	—	—	—	6,679
At 2005 professional valuation	190,840	—	—	—	—	190,840
	197,519	51,113	35,690	15,711	49,735	349,768
31st July 2004						
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
Company						
			Office equipment HK\$'000	Computer system HK\$'000	Total HK\$'000	
Cost						
At 1st August 2004 and 31st July 2005			8	21	29	
Accumulated depreciation						
At 1st August 2004 and 31st July 2005			(8)	(21)	(29)	
Net book value						
At 31st July 2004 and 31st July 2005			—	—	—	

Notes to the Accounts

12. Fixed assets *(Continued)*

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

	2005 HK\$'000	2004 HK\$'000
In Hong Kong, held on		
Leases of over 50 years	99,200	68,000
Leases of between 10 to 50 years	91,640	50,000
Outside Hong Kong, held on		
Leases of over 50 years	1,049	1,067
Leases of between 10 to 50 years	5,160	5,295
Leases of less than 10 years	470	633
	197,519	124,995

- (ii) Leasehold land and buildings in Hong Kong were revalued at 31st July 2005 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 20*).

The carrying amount of leasehold land and buildings would have been HK\$101,643,000 (2004: HK\$104,196,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

- (iii) Leasehold land and buildings with net book values of HK\$190,840,000 (2004: HK\$118,000,000) have been pledged to banks to secure banking facilities granted to the Group (*note 26*).
- (iv) Net book value of fixed assets held by the Group under finance leases amounted to HK\$308,000 (2004: HK\$1,376,000).

13. Intangible assets

	Goodwill <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1st August 2003	112,084	—	112,084
Acquisition of subsidiaries	10,897	—	10,897
Adjustment of goodwill	(5,277)	—	(5,277)
At 31st July 2004	117,704	—	117,704
Elimination of accumulated amortisation and impairment upon adoption of HKFRS 3	(23,894)	—	(23,894)
Acquisition of subsidiaries (<i>note 24(c)</i>)	10,238	4,271	14,509
Acquisition of business	8,206	—	8,206
Adjustment of goodwill in respect of acquisitions in prior years	5,956	—	5,956
At 31st July 2005	118,210	4,271	122,481
Accumulated amortisation and impairment			
At 1st August 2003	12,825	—	12,825
Amortisation charge	11,069	—	11,069
At 31st July 2004	23,894	—	23,894
Elimination of accumulated amortisation and impairment upon adoption of HKFRS 3	(23,894)	—	(23,894)
Amortisation charge	—	178	178
At 31st July 2005	—	178	178
Net book value			
At 31st July 2005	118,210	4,093	122,303
At 31st July 2004	93,810	—	93,810

Notes to the Accounts

13. Intangible assets *(Continued)*

- (a) Other intangible assets represented agency network, customer base and licence.
- (b) The amortisation charge of other intangible assets of HK\$178,000 (2004: Nil) is included in administrative and other operating expenses in the profit and loss account.
- (c) The acquired subsidiaries and business contributed revenues of HK\$147,152,000 and a net loss of HK\$4,987,000 to the Group after the acquisition during the year. If the acquisition had occurred on 1st August 2004, the Group's revenue and profit attributable to shareholders would have been HK\$4,132,415,000 and HK\$106,826,000 respectively.
- (d) For impairment assessment of goodwill, goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates which does not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used in value-in-use calculations include:

- (i) gross margin ranging from 9% to 15% with the exception of the exhibition forwarding and household removal business which has higher margin;
- (ii) growth rate used to extrapolate cash flow projections beyond the period covered by budgets ranging from 0% to 2%; and
- (iii) discount rate of 14.03%.

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations for the market development.

14. Subsidiaries

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted investments, at cost	208,129	208,129
Loan to a subsidiary	26,800	29,000
Amounts due from subsidiaries	74,146	66,222
Amounts due to subsidiaries	(13,366)	(14,789)
	295,709	288,562

- (a) Details of principal subsidiaries of the Group are set out in note 29(a) to the accounts.
- (b) The loan to the subsidiary is unsecured, interest bearing at prevailing market rate and not repayable within the next twelve months.
- (c) Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.
- (d) (i) In November 2001, the Group acquired 100% equity interests in Corporate Century Limited 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) is payable by four equal annual instalments commencing in 2003. The deferred consideration payable as at 31st July 2005 was C\$644,000 (approximately HK\$4,098,000) (2004: C\$1,288,000) (approximately HK\$7,564,000). 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 C\$1,840,000 (note 27(a)(i)).

The vendors have undertaken to pay to the Group in respect of each of the financial years ended 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 C\$1,288,000 but provided that in no event shall the aggregate amount of all payments under this profit guarantee arrangement exceed C\$5,152,000. The shortfall received by the Group during the year was HK\$646,000 (2004: HK\$692,000), which was applied to reduce the goodwill arising from the acquisition.

Notes to the Accounts

14. Subsidiaries *(Continued)*

- (d) (ii) 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 consideration will, however, be subject to adjustment in accordance with the earnings of the business for the period from 1st August 2002 to 31st July 2005 but provided that in no event shall the adjustment exceed HK\$9,999,999.

The vendor has undertaken to pay to the Group in respect of each of the financial years ended on 31st July 2003, 2004 and 2005 an amount equal to any amount representing the difference between 3.84 times of 12.5% of the net profit after taxation of Supreme to the extent it was less than HK\$4,310,000 in each of these three years. The shortfall received by the Group during the year was HK\$119,000 (2004: HK\$638,000), which was applied to reduce the goodwill arising from the acquisition.

- (iii) In May 2004, the Group acquired 60% equity interests in Exhibitstrans Logistics Limited ("Exhibitstrans") at a consideration of HK\$4,010,000 with contingent consideration payable in 2005, 2006 and 2007. The deferred consideration payable as at 31st July 2005 was HK\$6,839,000 (2004: Nil), which was applied to increase the goodwill arising from the acquisition. 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 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 27(a)(ii)*).

- (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 freight forwarding business worldwide. 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 will not have any material negative impact on the results and the financial position of the Group.

15. Jointly controlled entities

	Group 2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted investments		
Share of net assets	2,461	12,088
Loan to a jointly controlled entity	1,000	1,000
	3,461	13,088
At cost	1,219	15,890

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

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

16. Associated companies

	Group 2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted investments		
Share of net assets	31,143	26,613
At cost	13,709	11,684

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

Notes to the Accounts

17. Trade and other receivables

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Trade receivables				
Jointly controlled entities	2,847	18,249	—	—
Associated companies	48,398	8,611	—	—
Related companies	1,314	2,499	—	—
Minority shareholders	218	1,336	—	—
Third parties	510,655	489,867	—	—
	563,432	520,562	—	—
Deposits, prepayments and other receivables				
Related companies	4,978	23,436	—	—
A minority shareholder	—	2,521	—	—
Third parties	107,068	71,957	140	151
	112,046	97,914	140	151
	675,478	618,476	140	151

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

17. Trade and other receivables (Continued)

Trade receivables, deposits, prepayments and other receivables from jointly controlled entities, associated companies, related companies and minority shareholders are unsecured and interest free, except for trade receivables from certain associated companies of HK\$374,000 (2004: HK\$2,974,000) which bear interest ranging from 1.5% to 6% (2004: ranging from 1.5% to 6%) per annum. Trade receivables from related parties have credit terms similar to those of third party customers whereas the other balances have no fixed terms of repayment.

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

	2005 HK\$'000	2004 HK\$'000
30 days or below	298,471	269,474
31 — 60 days	149,898	125,869
61 — 90 days	58,269	39,198
Over 90 days	56,794	86,021
	563,432	520,562

Notes to the Accounts

18. Trade and other payables

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Trade payables				
Jointly controlled entities	154	3,260	—	—
Associated companies	3,687	192	—	—
Related companies	125	6	—	—
Third parties	248,792	176,756	—	—
	252,758	180,214	—	—
Accrued charges and other payables	251,731	238,755	3,475	2,610
Other payable to a related company	1,943	1,902	—	—
	506,432	420,871	3,475	2,610

Trade and other payables to jointly controlled entities, associated companies and related companies are unsecured and interest free. Trade payables with related parties have similar terms of repayment as third party creditors whereas other payable has no fixed terms of repayment.

The ageing analysis of trade payables was as follows:

	2005 HK\$'000	2004 HK\$'000
30 days or below	172,140	110,765
31 — 60 days	43,329	38,202
61 — 90 days	8,623	16,186
Over 90 days	28,666	15,061
	252,758	180,214

19. Share capital

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Authorised:		
500,000,000 (2004: 500,000,000) shares of HK\$0.10 each	50,000	50,000
Issued and fully paid:		
302,200,500 (2004: 301,500,500) shares of HK\$0.10 each	30,220	30,150

Share options

On 28th December 2001, the Company adopted a share option scheme (the "Share 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 Share 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 Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the share capital of the Company as at the date of the adoption of the scheme.

Notes to the Accounts

19. Share capital *(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 a fixed 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 Share Option Scheme during the year are as follows:

Date of grant	Exercise price per share	At 1st August 2004	Granted	Exercised	Cancelled	At 31st July 2005	Vested percentages	
							At 31st July 2005	At 31st July 2004
4th May 2004	HK\$2.045							
Directors		5,200,000	—	(500,000)	—	4,700,000	25%	—
Employees		9,200,000	—	(200,000)	(1,400,000)	7,600,000	25%	—
		<u>14,400,000</u>	<u>—</u>	<u>(700,000)</u>	<u>(1,400,000)</u>	<u>12,300,000</u>		

On 7th June 2005, 700,000 shares were issued upon the exercise of the options by the directors and employees.

On 17th August 2005, 2,200,000 and 800,000 share options of exercise price of HK\$2.95 per share were granted to directors and employees of the Group respectively. These share options were exercisable from 17th August 2006 to 16th August 2010.

20. Reserves

Group	Share premium HK\$'000	Revaluation reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2004	235,650	23,356	85	(1,019)	236,600	494,672
Exchange differences	—	—	—	1,038	—	1,038
Surplus on revaluation of leasehold land and buildings	—	50,972	—	—	—	50,972
Deferred taxation on revaluation (note 23)	—	(8,921)	—	—	—	(8,921)
Profit guarantee in relation to acquisition of subsidiaries adjusted to goodwill previously taken directly to reserves	—	—	—	—	6,238	6,238
Profit for the year	—	—	—	—	110,987	110,987
Issue of shares upon exercise of share options	1,362	—	—	—	—	1,362
2004 final dividend	—	—	—	—	(30,150)	(30,150)
2005 interim dividend	—	—	—	—	(9,950)	(9,950)
Transfer	—	—	844	—	(844)	—
At 31st July 2005	237,012	65,407	929	19	312,881	616,248
Representing:						
Retained profits	—	—	—	—	273,595	273,595
Other reserves	237,012	65,407	929	19	—	303,367
2005 proposed dividends	—	—	—	—	39,286	39,286
	237,012	65,407	929	19	312,881	616,248
Retained by:						
Company and subsidiaries	237,012	65,407	929	90	295,764	599,202
Jointly controlled entities	—	—	—	—	(2,859)	(2,859)
Associated companies	—	—	—	(71)	19,976	19,905
	237,012	65,407	929	19	312,881	616,248

Notes to the Accounts

20. Reserves (Continued)

Group	Share premium HK\$'000	Revaluation reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August 2003	235,650	—	—	(1,345)	222,619	456,924
Exchange differences	—	—	—	326	—	326
Surplus on revaluation of leasehold land and buildings	—	28,310	—	—	—	28,310
Deferred taxation on revaluation (note 23)	—	(4,954)	—	—	—	(4,954)
Goodwill realised upon disposals and liquidation of subsidiaries	—	—	—	—	387	387
Profit for the year	—	—	—	—	52,874	52,874
2003 final dividend	—	—	—	—	(30,150)	(30,150)
2004 interim dividend	—	—	—	—	(9,045)	(9,045)
Transfer	—	—	85	—	(85)	—
At 31st July 2004	235,650	23,356	85	(1,019)	236,600	494,672
Representing:						
Retained profits	—	—	—	—	206,450	206,450
Other reserves	235,650	23,356	85	(1,019)	—	258,072
2004 proposed final dividend	—	—	—	—	30,150	30,150
	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

20. 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 2004	235,650	31,896	30,526	298,072
Profit for the year	—	—	53,580	53,580
Issue of shares upon exercise of share options	1,362	—	—	1,362
2004 final dividend	—	—	(30,150)	(30,150)
2005 interim dividend	—	—	(9,950)	(9,950)
At 31st July 2005	237,012	31,896	44,006	312,914
Representing:				
Retained profits	—	—	4,720	4,720
Other reserves	237,012	31,896	—	268,908
2005 proposed dividends	—	—	39,286	39,286
	237,012	31,896	44,006	312,914
	<i>Share premium <i>HK\$'000</i></i>	<i>Contributed surplus <i>HK\$'000</i></i>	<i>Retained profits <i>HK\$'000</i></i>	<i>Total <i>HK\$'000</i></i>
At 1st August 2003	235,650	31,896	31,931	299,477
Profit for the year	—	—	37,790	37,790
2003 final dividend	—	—	(30,150)	(30,150)
2004 interim dividend	—	—	(9,045)	(9,045)
At 31st July 2004	235,650	31,896	30,526	298,072
Representing:				
Retained profits	—	—	376	376
Other reserves	235,650	31,896	—	267,546
2004 proposed final dividend	—	—	30,150	30,150
	235,650	31,896	30,526	298,072

Notes to the Accounts

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 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 2005, the distributable reserves of the Company available for distribution amounted to HK\$75,902,000 (2004: HK\$62,422,000).
- (c) In accordance with the relevant government regulations and the articles of association of the subsidiaries 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 profit reported in the statutory accounts) to reserve fund and enterprise development fund respectively. These reserves are required to be retained in the accounts of the subsidiaries 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.

21. Long-term liabilities

	Group	
	2005	2004
	HK\$'000	HK\$'000
Deferred consideration payable	10,937	7,564
Amounts due to minority shareholders (note a)	1,862	1,998
Obligations under finance leases (note b)	259	839
Secured long-term bank loan wholly repayable within five years (note c) (note 26)	13,348	17,344
	26,406	27,745
Current portion of long-term liabilities		
Deferred consideration payable	(6,589)	(3,782)
Obligations under finance leases	(164)	(632)
Long-term bank loan	(3,996)	(3,996)
	(10,749)	(8,410)
	15,657	19,335

21. 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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	174	713
In the second year	32	124
In the third to fifth year	72	94
After the fifth year	—	8
	278	939
Future finance charges	(19)	(100)
Present value of finance leases	259	839
Representing:		
Within one year	164	632
In the second year	27	114
In the third to fifth year	68	85
After the fifth year	—	8
	259	839

(c) The Group's long-term bank loan was repayable as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<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	5,356	9,352
	13,348	17,344

Notes to the Accounts

22. Retirement liabilities

	Group	
	2005	2004
	HK\$'000	HK\$'000
Present value of funded obligations	5,108	4,083
Fair value of plan assets	(5,108)	(4,083)
	—	—
Present value of unfunded obligations	5,606	2,237
Unrecognised actuarial losses	(3,286)	(859)
Net liabilities	2,320	1,378

The Group's defined benefit plan is in Taiwan. The plan 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:

	2005	2004
	HK\$'000	HK\$'000
Current service cost	1,232	993
Interest cost	234	177
Expected return on plan assets	(160)	(124)
Net actuarial losses recognised	14	28
Charge for the year included in staff costs (<i>note 10</i>)	1,320	1,074

The actual return on plan assets was HK\$55,000 (2004: HK\$47,000).

22. Retirement liabilities *(Continued)*

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

	Group 2005 HK\$'000	2004 HK\$'000
At the beginning of the year	1,378	808
Benefit payments	—	(32)
Charge for the year	1,320	1,074
Contributions paid	(467)	(480)
Exchange differences	89	8
At the end of the year	2,320	1,378

The principal actuarial assumptions used were as follows:

	2005 %	2004 %
Discount rate	3.25	3.5
Expected rate of return on plan assets	3.25	3.5
Expected rate of future salary increases	0.5	0.5

23. Deferred taxation

	Group 2005 HK\$'000	2004 HK\$'000
Deferred tax assets	(9,106)	(9,089)
Deferred tax liabilities	15,812	6,039
	6,706	(3,050)

The amounts shown in the balance sheet include the following:

Deferred tax assets to be recovered after more than 12 months	(7,115)	(3,891)
Deferred tax liabilities to be settled after more than 12 months	15,812	6,039

Deferred tax (assets)/liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

Notes to the Accounts

23. Deferred taxation (Continued)

The movement of the deferred tax (assets)/liabilities during the year is as follows:

	Group 2005 HK\$'000	2004 HK\$'000
At the beginning of the year	(3,050)	415
Exchange differences	36	(97)
Disposals of subsidiaries	326	—
Deferred taxation charged/(credited) to profit and loss account (note 6)	473	(8,322)
Deferred taxation charged to reserves on revaluation of leasehold land and buildings (note 20)	8,921	4,954
At the end of the year	6,706	(3,050)

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

Deferred tax assets	Provisions		Tax losses		Others		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	(3,617)	(707)	(5,472)	—	—	—	(9,089)	(707)
Exchange differences	(60)	(102)	89	(4)	—	—	29	(106)
Disposal of subsidiaries	326	—	—	—	—	—	326	—
Charged/(credited) to profit and loss account	2,031	(2,808)	(1,915)	(5,468)	(488)	—	(372)	(8,276)
At the end of the year	(1,320)	(3,617)	(7,298)	(5,472)	(488)	—	(9,106)	(9,089)

23. Deferred taxation (Continued)

Deferred tax liabilities	Accelerated tax depreciation		Revaluations		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	223	260	4,954	—	862	862	6,039	1,122
Exchange differences	8	9	—	—	(1)	—	7	9
Charged/(credited) to profit and loss account	729	(46)	—	—	116	—	845	(46)
Charged to equity	—	—	8,921	4,954	—	—	8,921	4,954
At the end of the year	960	223	13,875	4,954	977	862	15,812	6,039

Deferred 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\$140,537,000 (2004: HK\$130,085,000) to carry forward against future taxable income, of which tax losses of HK\$112,217,000 (2004: HK\$119,234,000) will expire in 2022 (2004: 2022) and tax losses of HK\$28,320,000 (2004: HK\$10,851,000) has no expiry date.

Notes to the Accounts

24. Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from operations

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation	134,812	65,990
Interest expenses	3,359	2,442
Interest income	(1,528)	(795)
Amortisation of goodwill	—	11,069
Amortisation of other intangible assets	178	—
Depreciation of owned fixed assets	20,304	15,997
Depreciation of leased fixed assets	191	709
Write back of deficit on revaluation of investment properties and leasehold land and buildings	(24,602)	(4,682)
Net (gain)/loss on disposal of subsidiaries	(8,228)	25
Net gain on disposal of associated companies	—	(155)
Net loss on disposal of other investments	(173)	—
Loss/(gain) on disposal of fixed assets	45	(90)
Share of profits less losses of jointly controlled entities	2,451	(1,890)
Share of profits less losses of associated companies	(9,404)	(6,316)
Exchange differences on retranslation of deferred consideration payable	632	378
Operating profit before working capital changes	118,037	82,682
Increase in trade and other receivables	(399)	(43,530)
Increase in trade and other payables	36,170	54,629
Increase in retirement liabilities	942	570
Net cash generated from operations	154,750	94,351

24. Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing

	Share capital including premium		Dividend payable		Minority interests		Loans and obligations under finance leases	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	265,800	265,800	—	—	19,105	15,088	70,341	68,489
Exchange differences	—	—	—	—	(18)	(47)	883	266
Net cash from/(used in) financing activities	—	—	(40,100)	(39,195)	(5,175)	(4,475)	(3,329)	1,586
Minority interests' share of profit	—	—	—	—	8,605	4,855	—	—
Disposal of subsidiaries (note 24(d))	—	—	—	—	(2,794)	(355)	—	—
Dividends	—	—	40,100	39,195	—	—	—	—
Capital contribution from minority shareholders	—	—	—	—	636	—	—	—
Acquisition of subsidiaries (note 24(c))	—	—	—	—	1,640	4,039	19,200	—
Issue of shares	1,432	—	—	—	—	—	—	—
At the end of the year	267,232	265,800	—	—	21,999	19,105	87,095	70,341

(c) Acquisition of subsidiaries

During the year, the Group acquired additional equity interests in three jointly controlled entities from the joint venture partners at aggregate considerations of HK\$18,287,000 (2004: Nil). Upon completion of the acquisition, these jointly controlled entities became subsidiaries of the Group.

Notes to the Accounts

24. Notes to the consolidated cash flow statement *(Continued)*

(c) Acquisition of subsidiaries *(Continued)*

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fair value of share of net assets acquired:		
Fixed assets	3,026	4,430
Other intangible assets	4,271	—
Trade and other receivables	80,002	34,029
Bank balances and cash	26,583	2,932
Trade and other payables	(75,933)	(29,011)
Tax payable	(2,397)	—
Long-term liabilities <i>(note 24(b))</i>	(19,200)	—
Minority interests <i>(note 24(b))</i>	(1,640)	(4,039)
	14,712	8,341
Less: Share of net assets held by the Group	(6,663)	—
Goodwill <i>(note 13)</i>	10,238	10,897
Purchase consideration	18,287	19,238
Satisfied by:		
Deposits paid in prior years	4,061	12,226
Cash	14,226	7,012
	18,287	19,238

Analysis of the net cash inflow/(outflow) in respect of the acquisition of subsidiaries:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash consideration	(14,226)	(7,012)
Bank balances and cash on hand acquired	26,583	2,932
Net cash inflow/(outflow) in respect of acquisition of subsidiaries	12,357	(4,080)

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

The assets and liabilities arising from the acquisition for the year ended 31st July 2005 are analysed as follows:

	Fair value <i>HK\$'000</i>	Acquirees' carrying value <i>HK\$'000</i>
Fixed assets	3,026	3,026
Other intangible assets	4,271	—
Trade and other receivables	80,002	80,002
Bank balances and cash	26,583	26,583
Trade and other payables	(75,933)	(75,933)
Tax payable	(2,397)	(2,397)
Long-term liabilities	(19,200)	(19,200)
Minority interests	(1,640)	(1,640)
	<u>14,712</u>	<u>10,441</u>

Notes to the Accounts

24. Notes to the consolidated cash flow statement *(Continued)*

(d) Disposal of subsidiaries

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net assets disposed of:		
Fixed assets	806	82
Deferred tax assets	326	—
Trade and other receivables	24,999	788
Tax recoverable	—	28
Bank balances and cash	22,151	848
Trade and other payables	(28,031)	(638)
Tax payable	(1,875)	—
Minority interests <i>(note 24(b))</i>	(2,794)	(355)
	15,582	753
Release of goodwill upon disposal of subsidiaries	—	387
	15,582	1,140
Gain/(loss) on disposal	8,228	(25)
	23,810	1,115
Satisfied by:		
Cash	12,092	1,115
Other receivable to be settled less than 12 months	11,718	—
	23,810	1,115
Analysis of the net cash (outflow)/inflow in respect of disposal of subsidiaries:		
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash consideration	12,092	1,115
Bank balances and cash disposed of	(22,151)	(848)
Net cash (outflow)/inflow in respect of disposal of subsidiaries	(10,059)	267

25. Commitments**(a) Capital commitments**

	Group 2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Contracted but not provided for		
Investments	3,456	18,433
Fixed assets	1,529	2,241
	4,985	20,674

(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:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Not later than one year	35,938	35,071
Later than one year and not later than five years	36,932	50,678
Later than five years	14,345	16,105
	87,215	101,854

Notes to the Accounts

26. Banking facilities

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Banking facilities obtained		
Secured	350,750	301,930
Unsecured	—	24,310
	350,750	326,240
Facilities utilised		
Bank overdrafts	25,755	16,005
Short-term bank loans	71,626	50,160
Long-term bank loan (<i>note 21</i>)	13,348	17,344
	110,729	83,509
Guarantees to third parties	39,341	48,994
	150,070	132,503

The above Group's banking facilities are secured by the following:

- (i) Fixed deposits of HK\$11,256,000 (2004: HK\$1,246,000) of the Group.
- (ii) First legal charges on leasehold land and buildings in Hong Kong held by the Group (*note 12*).
- (iii) Corporate guarantee from the Company.
- (iv) A negative pledge by a subsidiary, under which the subsidiary will not pledge its assets to other parties unless it obtains the approval from the bank.
- (v) Second mortgage on two properties owned by minority shareholders and personal guarantees provided by these minority shareholders.

27. Contingent liabilities

(a) Contingent consideration

The Group had the following contingent consideration in relation to:

- (i) the acquisition of Corporate Century and BALtrans Canada as described in note 14(d)(i); and
- (ii) the acquisition of 60% of Exhibitstrans as described in note 14(d)(iii).

(b) Pending lawsuits

- (i) During the year, certain subsidiaries of the Company in the US received a complaint filed with the United States Bankruptcy Court, alleging that those subsidiaries had collected antecedent debts ("Transfers") of approximately US\$1,400,000 from certain US customers within 90 days preceding 21st March 2003 (the date such US customers filed for voluntary petitions for reorganisation relief under Chapter 11 of the Bankruptcy Code in the US), and that these Transfers have enabled these subsidiaries of the Company to receive more than they would have received if such Transfers had not been made and the subsidiaries received payment on the antecedent debts to the extent provided by the Bankruptcy Code. The complaint seeks to void and recover such Transfers. The Company has sought legal advice on this issue. Based on the advice from the US counsel, the exposure is likely to be significantly less than the full amount of the alleged Transfers due to the availability of a wide range of valid defences under the statute of limitations and on the merits recognised under several sections of the Bankruptcy Code as well as additional common law defences.
- (ii) As at 31st July 2005, the Group was subject to claims arising in the normal course of business. Based on advice from consultants, the directors are of the opinion that any final claims which may be required to be settled will be insignificant. Accordingly no provision has been made for these claims in the accounts.

Notes to the Accounts

28. 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:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(a) With jointly controlled entities		
Forwarding income received	21,171	39,534
Forwarding costs paid	15,457	55,863
(b) With associated companies		
Forwarding income received	150,248	25,455
Forwarding costs paid	46,998	7,934
(c) With other related companies		
Forwarding income received		
Related companies of Jardine Asian Holdings Inc. ("JAH"), a substantial shareholder of the Company	9,374	24,686
Other related companies	6,203	14,001
Forwarding costs paid		
Related companies of JAH	174	697
Other related companies	289	7,068

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.

29. Principal subsidiaries, jointly controlled entities and associated companies

(a) Subsidiaries

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2005	2004
Held directly:					
BALtrans International (BVI) Limited	British Virgin Islands ("BVI")	Investment holding	US\$130,000 ordinary shares	100%	100%
BJ Logistics Holdings Limited	BVI	Investment holding	US\$15,448,796 ordinary shares	100%	100%
Held indirectly:					
BALtrans Exhibition & Removal Limited	Hong Kong	Exhibition forwarding services	HK\$1,000,000 ordinary shares	60%	60%
BALtrans Logistics (Shenzhen) Limited (formerly JLS Transport (Shenzhen) Ltd) [#]	PRC	Freight forwarding	HK\$2,500,000	100%	100%
BALtrans Logistics (Malaysia) Sdn. Bhd.	Malaysia	Freight forwarding	MYR600,000 ordinary shares	100%	100%
BALtrans Logistics (China) Limited [@]	PRC	Freight forwarding	US\$1,600,000	66%	66%
BALtrans Logistics (Hong Kong) Limited	Hong Kong	Freight forwarding	HK\$1,000,000 ordinary shares	100%	100%
BALtrans Logistics (India) Private Limited	India	Freight forwarding	INR12,500,000 ordinary shares	74%	—
BALtrans Logistics Inc.	United States of America	Freight forwarding	US\$1,000 common shares	100%	100%
BALtrans Logistics Limited	Hong Kong	Investment holding and freight forwarding	HK\$5,000,000 ordinary shares	100%	100%
BALtrans Logistics Lanka (Private) Limited	Sri Lanka	Freight forwarding	LKR3,177,920 ordinary shares	75%	75%

Notes to the Accounts

29. Principal subsidiaries, jointly controlled entities and associated companies (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2005	2004
Held indirectly (Continued):					
BALtrans Logistics Pte. Limited	Singapore	Freight forwarding	S\$250,000 ordinary shares	100%	100%
BALtrans Macao Commercial Offshore Limited	Macau	Freight forwarding agency	MOP100,000 shares	100%	100%
Exhibitstrans Logistics Limited	Hong Kong	Exhibition forwarding services	HK\$500,000 ordinary shares	60%	60%
Jardine-CCTA Logistics Services Limited [#]	PRC	Freight forwarding	US\$1,400,000	100%	N/A
JLS Logistics (Taiwan) Limited (formerly JLS Logistics Limited)	Taiwan	Freight forwarding	NTD12,500,000 ordinary shares	100%	100%
JLS Logistics UK Ltd	United Kingdom	Freight forwarding	GBP30,000 ordinary shares	75%	75%
Muragawa Logistics Limited	Hong Kong	Freight forwarding	HK\$1,500,000 ordinary shares	69.2%	51.9%
PT BALtrans Logistics Indonesia	Indonesia	Freight forwarding	IDR1,550,000,000 ordinary shares	100%	100%
Supreme Airfreight Company Limited	Hong Kong	Freight forwarding	HK\$1,500,000 ordinary shares	86.5%	86.5%

29. Principal subsidiaries, jointly controlled entities and associated companies (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2005	2004
Held indirectly (Continued):					
Supreme Freight Consolidators (Ocean) Limited	Hong Kong	Freight forwarding	HK\$200,000 ordinary shares	86.5%	86.5%
Win Profit Corporation Limited	Hong Kong	Property holding	HK\$10,000 ordinary shares	100%	100%
Zimbery Limited	Hong Kong	Property holding	HK\$10,000 ordinary shares	100%	100%

@ Sino-foreign joint venture

Foreign enterprise

(b) Jointly controlled entities

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2005	2004
Held indirectly:					
United Asia Terminals (Yantian) Limited	Hong Kong	Warehousing, distribution and logistics services	HK\$52,000 A shares HK\$52,000 B shares HK\$26,000 C shares	40%	40%

Notes to the Accounts

29. Principal subsidiaries, jointly controlled entities and associated companies (Continued)

(c) Associated companies

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2005	2004
Held indirectly:					
BNG Logistics GmbH	Germany	Freight forwarding	EUR500,000 ordinary shares	50%	—
Korchina Logistics (HK) Limited	Hong Kong	Freight forwarding	HK\$1,000,000 ordinary shares	50%	50%
PT i-Logistics BALtrans Indonesia	Indonesia	Freight forwarding	US\$400,000 ordinary shares	30%	30%
Korchina Logistics (Singapore) Pte Ltd	Singapore	Freight forwarding	S\$100,000 ordinary shares	50%	50%
BALtrans Logistics (Thailand) Co., Limited	Thailand	Freight forwarding	THB5,000,000 ordinary shares	49%	49%
BAL-CAN Forwarding Inc.	Canada	Freight forwarding	C\$1,200 common shares	49%	49%
JPM Logistics Inc	United States of America	Freight forwarding	US\$200,000 common shares	19%	19%
Seko Worldwide Limited	Hong Kong	Freight forwarding	HK\$1,500,000 ordinary shares	30%	—

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.

30. Subsequent events

On 10th August 2005, the Group disposed of its 50% interest in Korchina Logistics Holdings Limited and 35% interest in Korchina Freight Taiwan Limited. The aggregate consideration of US\$4,800,000 (approximately HK\$37,440,000) was settled in cash on 25th August 2005. The estimated profit on disposal of these associated companies is approximately HK\$11 million and will be recognised in the financial year ending 31st July 2006.

31. Approval of accounts

The accounts were approved by the board of directors on 22nd November 2005.