BALtransLogistics

BALtrans Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 562)

Local Strength Global Reach

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BALtrans Logistics Network

Corporate Information

Board of Directors

Executive Directors

Mr. Anthony Siu Wing LAU
Mr. Hooi Chong NG
Mr. Tetsu TOYOFUKU
Mr. Henrik August VON SYDOW
(ceased to be a director on 13 March 2007)

Non-executive Directors

Mr. William Hugh Purton BIRD
Mr. David Chung Hung WAI
Mr. Christopher John David CLARKE
(retired on 21 December 2006)

Independent Non-executive Directors

Mr. David Hon To YU
Ms. Miriam Kin Yee LAU
Mr. Cheung Shing NG

Company Secretary

Mr. Frank Kwok Wah CHU
(appointed on 21 July 2007)
Ms. Sau Yee CHAN
(resigned on 21 July 2007)

Principal Bankers

Bank of China (Hong Kong) Limited
BNP Paribas
DBS Bank Limited
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank (Hong Kong) Ltd.
The Hongkong and Shanghai Banking Corporation Limited

Auditors

PricewaterhouseCoopers

Legal Advisors on Hong Kong Law

Dibb Lupton Alsop
Morrison & Foerster
Jennifer Cheung & Co.

Legal Advisor on Bermuda Law

Conyers Dill & Pearman

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

8th Floor Tower A
New Mandarin Plaza
14 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

Principal Share Register and Transfer Office

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Corporate Philosophy and Accolades

Corporate Philosophy

BALtrans Logistics, founded in 1982, is one of the largest Asia-based freight forwarding and logistics companies with an international network spanning all major cities in Asia, North America, Europe, Africa and Middle East.

We pride ourselves on well-established presence in major local markets around the globe. Our local expertise, personal service and ability to provide customized door-to-door solutions worldwide are our core strengths. Our commitment is to provide a complete range of services that will enhance customers' supply chain processes.

Received the honour of International Award, DHL/SCMP Hong Kong Business Awards 2006

Key Recognitions and Accolades

1982 IATA Membership
1992 First logistics enterprise listed on the Stock Exchange of Hong Kong
1994 First logistics enterprise in Hong Kong awarded with ISO 9002 Accreditation
1997 HKTDC Award for Services in Export Marketing
1998 HKTDC Award for Services in Export Marketing
2002 Best Practice Award for Innovation
2003 ISO 9000:2001 accreditation
2005 Logistics Award Hong Kong – Outstanding Achievement Award to Chairman
2006 Logistics Award Hong Kong – Hong Kong Logistics Award for Enterprise
2006 DHL/SCMP Hong Kong Business Awards – International Award
2007 Asian Freight and Supply Chain Awards – Life Time Achievement Award to Chairman

Looking Ahead

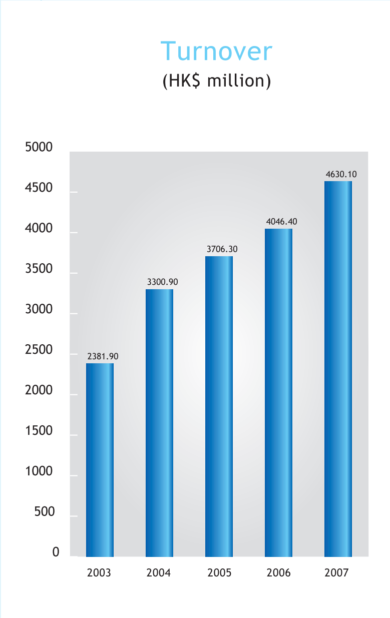
BALtrans Logistics aspires to be a leading global provider of quality, innovative logistics and supply chain management solutions in every local market.

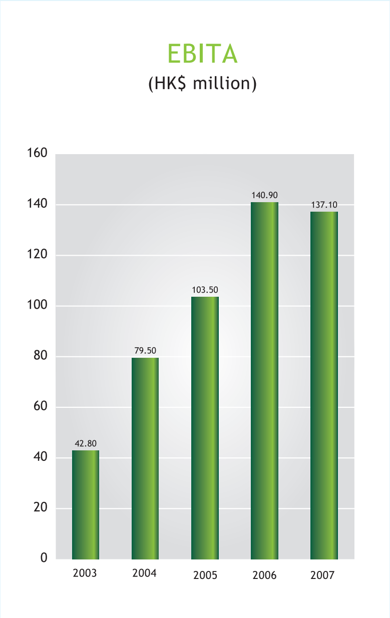
We will carry on expanding our global network to serve markets around the world. Our dedication to continuous investment in a globally integrated IT platform and user-friendly supply chain interface will distinguish us from competitors.

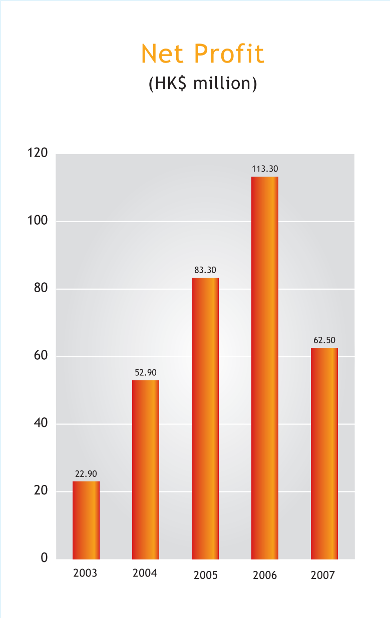
We will keep on with our investment in people to encourage professionalism, innovation, continuous improvement, teamwork, communication, integrity, trust and respect, the fundamentals to our success.

Financial Highlights

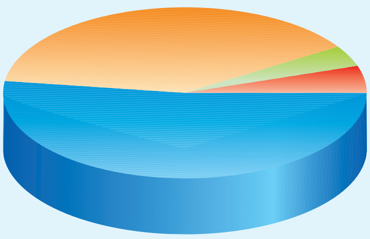
(HK$ million)	2003	2004	2005	2006	**2007**
Turnover	2,381.9	3,300.9	3,706.3	4,046.4	**4,630.1**
Gross profit	393.1	532.4	616.5	660.3	**873.7**
EBITA	42.8	79.5	103.5	140.9	**137.1**
Net profit	22.9	52.9	83.3	113.3	**62.5**
Net cash from/(used in) operating activities	(14.5)	91.9	147.5	151.9	**125.4**
Gross margin	16.5%	16.1%	16.6%	16.3%	**18.9%**
Net margin	1.0%	1.6%	2.2%	2.8%	**1.3%**



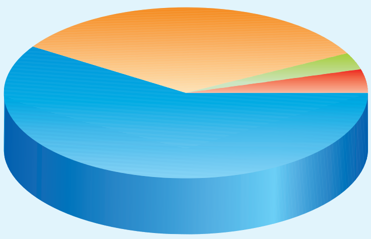




Turnover by business segments	2007 (HK$'000)	2006 (HK$'000)
Airfreight	**2,418,006**	2,392,198
Seafreight	**1,791,568**	1,344,053
Exhibition forwarding and household removal services	**184,490**	129,961
Third party logistics	**235,995**	180,168
	4,630,059	4,046,380

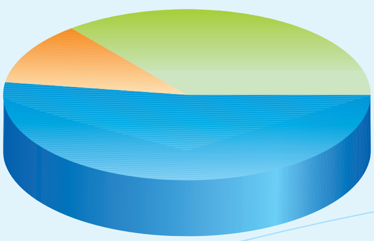


2006

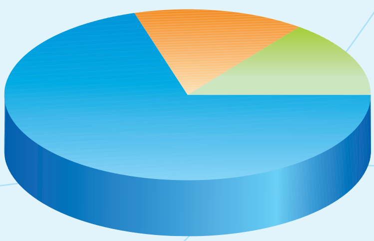


2007

Turnover by geographical segments	2007 (HK$'000)	2006 (HK$'000)
Asia Pacific	**2,424,703**	2,845,295
North America	**547,638**	611,140
EMEA	**1,657,718**	589,945
	4,630,059	4,046,380



2006



2007

Chairman's Statement

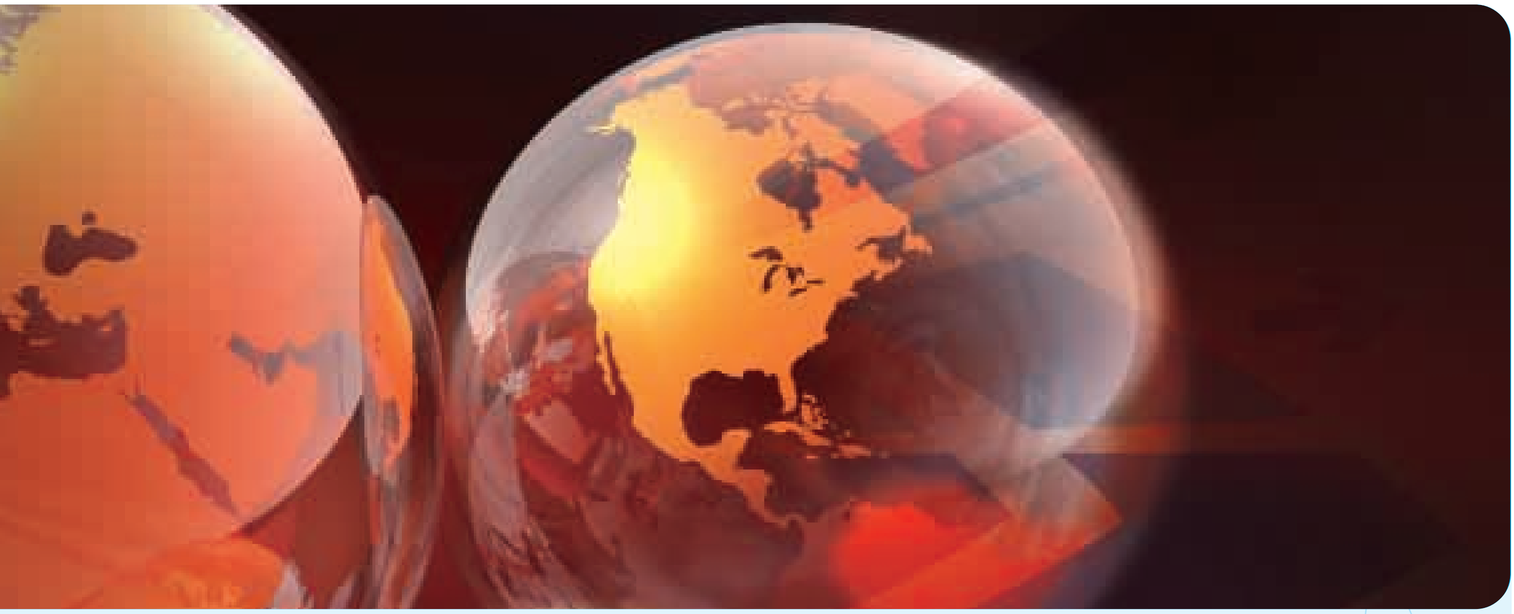
To Shareholders

I am delighted to report the fifth record-breaking year in a row for BALtrans Logistics Group's revenue, amounting to HK$4.63 billion, a leap of 14% from that of last year. The gross profit has surged 32% to HK$874.0 million from the previous year, and the gross margin improved to 18.9% from 16.3% last year.

During this financial year, our bottom line had been held back by a number of factors such as softening of the transpacific airfreight market, the PRC business restructuring, management reshuffling, transitioning from agency model towards focusing on expanding our own network platform and the increased intangible assets amortization and financing costs offsetting positive contribution from our new acquisitions. Looking forward, we will consolidate and impose more control on the operating cost base to ensure that we deliver profit growth alongside top line expansion.

The consolidation of our China service platform was completed in the year under review. In light of the emergence of China in the global economy with enormous trade opportunities and logistics demand and the integrated platform with a stronger team resulted from the restructuring, we are now well positioned to capture the upside potential of the thriving nation in the coming years.

For an efficient corporate structure and more effective management control, we have consolidated our shareholdings in strategically important locations during the year, namely Germany, China and India, turning all of them into our wholly owned subsidiaries. In addition, we have been eliminating inactive businesses and selling minority shareholdings in non-core businesses to achieve a streamlined corporate structure and in turn enhance our competitiveness.



We are continuing our efforts in strengthening our global network coverage. Fulfilling our brand commitment, new offices were opened in France, Egypt and Qatar during the period under review. We are now represented in 64 major cities in 23 countries around the world. A uniform corporate identity emphasizing our strengths and values has been rolled out across our worldwide network, visualizing our capabilities of 'Local Strength, Global Reach'.

It is encouraging that we were awarded the International Award in the DHL/SCMP Hong Kong Business Awards in December 2006, acknowledging our sound business and successful penetration into new market overseas, thereby enhancing Hong Kong's international reputation. I am also very pleased to receive the 2007 Life Time Achievement Award presented by the 21st Asian Freight and Supply Chain Awards, recognizing my lasting commitment in the industry.

Finally, I would like to express my appreciation to the shareholders and customers for their unswerving support in the past year, and also my heartfelt thanks to the Board members and fellow colleagues, for their steadfastness and assiduous efforts in growing the Group. With our vision and devotion coupled with a positive economic backdrop, I trust we are heading to a new chapter of success that is rewarding to all stakeholders.

Anthony Siu Wing LAU
Executive Chairman

Hong Kong, 13 November 2007

Management Discussion & Analysis

Summary Financial Highlights

(HK$ million)	**2007**	2006	% change
Revenue	**4,630.1**	4,046.4	+14%
Gross profit	**873.7**	660.3	+32%
EBITA	**137.1**	140.9	-3%
Net profit attributable to equity holders of the Company	**62.5**	113.3	-45%

Business Review

During the period under review, the Group achieved a record annual revenue of over HK$4.63 billion, approximately 14% higher than the previous year, due to the 173% increase in the revenue contribution from the new Europe and Middle East Asia ("EMEA") region driven by green-field set-ups, acquisitions and organic growth.

Our gross profit increased 32% to a record of HK$874.0 million, with gross margin improving from 16.3% last year to 18.9% this year, due to the increase in new business in EMEA region, our enhanced buying power with our increased business volume, as well as more focus on intra-network co-operation.

However, our EBITA and net profit were lower than last year mainly due to the weaker performance of our Asian and North American operations resulting from the soft eastbound transpacific airfreight market, and the increase in intangible assets amortization and financing costs that was more than the contribution from our Swedish acquisition.

Apart from the above reasons, specific items impacting on the EBITA included reduction in other net gains (see summary table below) totaling HK$15.6 million, increased costs of strengthened group and regional management of HK$21.9 million, start-up losses of our new Atlanta and France offices of HK$3.4 million, global branding consulting fee expenses of HK$2.8 million, the non-recurring expenses relating to our ex-Chief Executive and the buy-out/restructuring of our PRC entities amounting to a total of HK$14.8 million.

Other Net Gains (Summary Table)

(HK$ million)	**2007**	2006
One-off disposal gains	**0.3**	21.2
Exchange gain	**21.8**	2.1
Option gain	**4.9**	–
Negative goodwill	**–**	8.3
One-off claim compensation	**–**	10.4
Miscellaneous	**1.5**	2.1
Total	**28.5**	44.1

The strengthened group and regional management had helped us to accelerate our geographical business expansion and achieve the critical integration of our PRC platform. The minority buy-out and integration of our PRC platform provides us with an efficient and fully controlled platform to expand our PRC business with the rest of the Group network.

Our net profit decreased by 45% as it was further impacted by a HK$13.0 million increase in intangible assets amortization arising from acquisition of new businesses with strong customer bases, HK$10.0 million increase in net finance costs to finance recent acquisitions and a higher effective tax rate as we expand further overseas.

Markets

(HK$ million)	Asia Pacific	North America	EMEA	Intra-group Sales Elimination	Total
Revenue					
2007	**3,052**	**675**	**1,798**	**(895)**	**4,630**
2006	3,277	719	658	(608)	4,046
% change	-7%	-6%	+173%		+14%
EBITA					
2007	**75**	**12**	**50**		**137**
2006	105	20	16		141
% change	-29%	-40%	+213%		-3%

After eliminating intra-group sales, the revenue of Asia Pacific region, North America and EMEA region accounted for 52%, 12% and 36% of the Group revenue respectively. The following analysis is based on the revenue table shown above (before intra-group sales elimination).

Asia Pacific

The revenue in Asia Pacific region decreased by approximately 7% mainly due to streamlining of business revenue base in the PRC and Taiwan.

In the PRC, both BALtrans and Supreme (our 94% owned subsidiary) conducted business streamlining to reduce the low margin local pre-paid and co-loading business in conjunction with downsizing of the PRC platform. The staff force was reduced by more than 40% during this restructuring. We are also managing the downsizing of our Taiwan business. Both the PRC and Taiwan saw double-digit revenue decline as a result. Although this led to a short-term drop in our revenue, we are beginning to see benefits in the form of higher gross margin, more consistent financial performance, higher productivity and much reduced receivables risk towards the end of the financial year. The revenue decline was partly offset by the new higher quality direct accounts business contributed by the newly expanded EMEA region offices.

The EBITA for Asia Pacific region was reduced from HK$105.0 million to HK$75.0 million due to the decrease in other net gains, transitional impact from the business streamlining, the soft eastbound transpacific airfreight market, the increased costs due to the expansion of head office and regional management team as well as the departure of our ex-Chief Executive.

North America

The revenue in North America decreased by 6% due to the loss of a major customer and a short-term phenomenon of substituting certain airfreight cargo movement by seafreight transportation which occurred during the financial year. The EBITA of HK$12.0 million is 40% lower than last year, mainly due to the reasons above, the start-up losses for our new Atlanta office (HK$2.1 million) and the increased staff incentive costs in Canada.

EMEA

The revenue in EMEA region increased by 173% due to the full year inclusion of new subsidiaries in Germany, South Africa, Sweden as well as revenue growth in the Netherlands and the United Kingdom. The EMEA region made an EBITA of HK$50.0 million, substantially higher than HK$16.0 million last year, despite the start-up EBITA loss of HK$1.3 million in France.

Overall, the Group is undergoing a significant transition to become a global player with stronger network focus. Our continuing expansion into the new EMEA region will enable us to cope with the transition of moving from a partnership/agency model to a network model so that we can provide end-to-end BALtrans platform, both at origin and destination, to our customers with improved service and enhance our longer term competitiveness.

Services

Airfreight

Revenue in HK$ million	Asia Pacific	North America	EMEA	Total
2007	**1,380**	**337**	**701**	**2,418**
2006	1,760	405	227	2,392
% change	-22%	-17%	+209%	+1%

Seafreight

Revenue in HK$ million	Asia Pacific	North America	EMEA	Total
2007	**718**	**200**	**874**	**1,792**
2006	810	195	339	1,344
% change	-11%	+3%	+158%	+33%

Airfreight revenue increased by 1% to approximately HK$2.4 billion, making up approximately 52% of the Group revenue, whilst seafreight revenue increased by 33% to close to HK$1.8 billion, making up approximately 39% of the Group revenue. Both air and seafreight revenue increased, driven mainly by the business expansion in the EMEA region. Revenue decreased in Asia Pacific region mainly due to the effect of streamlining of revenue base in the PRC/Taiwan and the increase in intra-group sales elimination. North America revenue declined mainly due to the loss of a key customer and soft airfreight market from Asia into North America.

Airfreight EBITA decreased from HK$63.1 million of last year to HK$56.2 million of this year whilst seafreight EBITA increased from HK$31.9 million to HK$46.9 million respectively.

Exhibition Forwarding and Household Removal

The revenue from exhibition forwarding and household removal increased 42% to HK$184.0 million mainly due to the timing of key exhibition events of our client base and the handling of more events. As a result, the EBITA increased from HK$14.9 million last year to HK$16.7 million this year, an increase of 12%. The lower percentage increase in EBITA is due to the inclusion of around HK$5.0 million cost of sales write-back in the previous financial year.

Third Party Logistics

The revenue from third-party logistics ("3PL") increased by 31% to HK$236.0 million due to the increase in 3PL business in the Netherlands and South Africa. EBITA increased 22% from HK$9.9 million of last year to HK$12.1 million of this year.

Outlook

The restructuring of the PRC platform had been completed by the end of July in this year and we are now seeing consistent improvement in its profitability. The increasing number of new subsidiaries outside Asia should help cushion the Group from the impact of gradual transition from agency businesses to more businesses contributed from our own network offices.

With the investments made during the year, we now have in place the necessary corporate and management resources to support our future growth. Going forward, we will focus more on consolidating and close monitoring of our productivity and cost base to ensure that we will grow our profitability alongside top line growth.

We continue our growth momentum in the EMEA region with the opening of new offices in France, Qatar and Egypt during the year. With strong local teams in place and the recent turnaround of our France offices, we believe the EMEA region will continue to drive our growth in the foreseeable future. We will continue to look out for expansion opportunities in key new markets in Europe.

In North America, the Atlanta office is expected to turn around to make a positive contribution in the coming year. We have strengthened our sales capability in the USA during the year which had helped us to win several key accounts that would make meaningful contribution to our network as well as new origin locations such as Pakistan, Bangladesh and Cambodia. We are currently studying the feasibility of setting up new joint venture offices to handle such new businesses in these emerging countries.

Despite the recent departure of our ex-Chief Executive, the management structure of the Group had remained largely unchanged and there has been no material impact on our ongoing expansion plans and business strategy. We will seek to expand our network coverage, enhance cooperation within the BALtrans network and invest further to improve processes and systems in order to ensure improvement in our productivity and profit margin.

Liquidity, Financial Resources and Funding

As at 31 July 2007, the Group possessed cash equivalents of HK$275.4 million (2006: HK$280.0 million). The majority of the Group's cash was in either HKD or USD. The gross gearing ratio (total borrowings/total equity) at the end of the year was 38.4% (2006: 32.7%). However, the Group was in a net cash position within the working capital of HK$173.8 million (2006: HK$112.8 million).

For the year ended 31 July 2007, total spending on property, plant and equipment was lower than the last year. HK$17.2 million (2006: HK$23.1 million) was paid for the purchase of property, plant and equipment. HK$5.7 million (2006: HK$7.3 million) was received for the disposal of property, plant and equipment and leasehold land and land use rights.

The Group's funding requirements have been fulfilled mainly by internal resources with some loan/overdraft facilities granted by banks.

The Group's borrowings were mainly in HKD, ZAR, CAD, RMB and TWD. Overdraft and short-term loan facilities were granted to the Group at normal market interest rates.

As a matter of principle, the Group requires adequate working capital to be retained in overseas subsidiaries and then transfer excess funds back to the head office. Some of our overseas subsidiaries may use overdraft facilities in foreign currencies. The Group will keep monitoring potential currency exposures and implement hedging arrangements when necessary.

During the year under review, there was no significant deviation from the policies above.

Charges on Group Assets

Trade receivables of HK$32.5 million (2006: HK$76.9 million) and fixed deposit of HK$17.4 million (2006: HK$16.0 million) are pledged as security for banking facilities extended to the Group.

Material Acquisitions and Disposal of Subsidiaries or Associates

During the year, the Group has completed the following material acquisitions:

(a) the acquisition of 100% interest in BALtrans Logistics Sweden AB (formerly known as Gothenburg Shipping Logistics AB) in Sweden in August 2006;

(b) the acquisition of 48% interest in BALtrans Logistics (Germany) GmbH (formerly known as BNG Logistics GmbH) in Germany in August 2006 to increase the Group's shareholding from 48% to 96% and further acquisition of the remaining 4% interest in May 2007;

(c) the acquisition of the remaining 26% interest in BALtrans Logistics (India) Private Limited in December 2006; and

(d) the acquisition of 31% effective interest in Higgins Global Logistics (Proprietary) Limited in South Africa in June 2007.

Subsequent to the year end, the Group has disposed of 60% interest in Helu-trans (S) Private Limited in August 2007, and increased its effective shareholding in Muragawa Logistics Limited from 75.2% to 94% in October 2007.

Except as disclosed above, there was no material acquisition or disposal of subsidiaries, jointly controlled entities or associates during the year.

Contingent Liabilities

Details of the contingent liabilities of the Group are set out in note 36 to the financial statements.

Staff and Employment

As at 31 July 2007, the Group employed a workforce of 1,980 (2006: 2,070). Total staff remuneration for the year ended 31 July 2007 was HK$483.0 million including retirement benefit costs of HK$23.8 million (2006: HK$336.3 million including retirement benefit costs of HK$17.4 million).

Biographical Details of Directors & Senior Management

The biographical details of Directors and senior management are set out as follows:

Board of Directors

Executive Directors

Mr. Anthony Siu Wing LAU

(Executive Chairman and Acting Chief Executive)

Aged 66, is a co-founder of the Group together with Mr. William Hugh Purton BIRD and Mr. David Chung Hung WAI, and is the Executive Chairman and Acting Chief Executive of the Company. Mr. LAU is responsible for the strategic policy, direction and planning of the Group.

Mr. LAU was the chairman of the Hong Kong Association of Freight Forwarding Agents Ltd. (HAFFA) for the years from 1997 to 2000 and the chairman of the Airfreight Committee of Hong Kong Shippers' Council for the years from 1998 to 2000. He was an advisory board member of Hong Kong Civil Aviation Department from 1999 to 2005, a member of the Trade Related Services/Logistics Service Advisory Committee of Hong Kong Trade Development Council from 1996 to 2005 and a member of the China Trade Committee of Hong Kong Trade Development Council from 1999 to 2005. He has served as a council member of the Hong Kong Logistics Development Council since 2000. He was awarded the Outstanding Achievement Award in the first Logistics Awards Hong Kong 2005. Under his leadership, the Company was awarded Hong Kong Logistics Awards for Enterprise, Logistics Award Hong Kong 2006 and International Award, DHL/SCMP Hong Kong Business Awards 2006. He has been appointed the Trustee of the Napier University Hong Kong Scholarship Trust since August 2006. In 2007, he is honoured with "2007 Life Time Achievement Award" in the 21st Asian Freight and Supply Chain Award (AFSCA). He is currently serving as the President of the Chartered Institute of Logistics and Transport, a Member of the Service Promotion Programme Committee of Hong Kong Trade Development Council and a Member of the Departmental Advisory Committee of the Logistics Department of Hong Kong Polytechnic University.

Mr. LAU holds a Master of Business Administration Degree from the University of East Asia, Macau (now known as the Macau University). He is a fellow member of the Institute of Directors, a fellow member of the Chartered Institute of Logistics and Transport and a fellow member of the Chartered Institute of Marketing.

Mr. Hooi Chong NG

Aged 39, joined the Group in 2003. Mr. NG is the Group Strategy Director responsible for the Group's strategic initiatives, mergers and acquisitions, accounting and finance, investor and media relations, as well as legal and compliance matters. He is also the Qualified Accountant of the Company. He has many years of corporate finance experience in the capital markets as well as mergers and acquisitions in the region with leading investment banks. He is an associate of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants respectively. He holds a Bachelor of Law Degree from University of Leeds in the United Kingdom.

Mr. Tetsu TOYOFUKU

Aged 48, joined the Group in 2006. Mr. TOYOFUKU has over 25 years of experience in logistics and freight forwarding business. He holds a Bachelor of Liberal Arts Degree in Politics from the International Christian University, Tokyo, Japan. He has been the Department General Manager in Transportation Logistics Business Unit of Mitsui & Co., Ltd. Mr. TOYOFUKU was nominated as the Company's director by Mitsui & Co., Ltd., a substantial shareholder of the Company.

Non-executive Directors

Mr. William Hugh Purton BIRD

Aged 61, is a co-founder of the Group together with Mr. Anthony Siu Wing LAU and Mr. David Chung Hung WAI. Mr. BIRD is also a director of a number of the Group's subsidiaries. He was based in Hong Kong between 1982 and 1989, and since then he has been stationed in Singapore. He has almost 40 years of experience in the freight forwarding business. He is also a member of the Institute of Freight Forwarders UK. He was the regional managing director of a multinational forwarding company based in Hong Kong for five years.

Mr. David Chung Hung WAI

Aged 60, is a co-founder of the Group together with Mr. Anthony Siu Wing LAU and Mr. William Hugh Purton BIRD. Mr. WAI is also a consultant to the United States offices of the Group. Before his retirement in early 2005, he was the president of the Group's principal subsidiaries in the United States and was responsible for the management and development of the Group's interest in the United States market. He has over 40 years of experience in shipping lines, airlines and freight forwarding businesses.

Independent Non-executive Directors

Mr. David Hon To YU

Aged 59, was appointed to the Board of the Company in February 2002. He is a fellow of The Institute of Charted Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr. YU is a founder and director of Management Capital Limited, which specializes in direct investment and financial advisory activities and also on the boards of a number of listed companies and private companies in Hong Kong.

Ms. Miriam Kin Yee LAU

Aged 60, was appointed to the Board of the Company in September 2004. Ms. LAU is the consultant of Arculli Fong & Ng Lawyers in association with King & Wood, PRC Lawyers, a solicitors' firm in Hong Kong. She is a member of the Legislative Council of the Government of Hong Kong Special Administrative Region.

Mr. Cheung Shing NG

Aged 45, was appointed to the Board of the Company in September 2004. He is the chairman and chief executive officer of Computer and Technologies Holdings Limited (stock code: 46), a listed company in Hong Kong and is an honorary Chairman of Information and Software Industry Association Limited. Mr. NG graduated with a Bachelor of Computer Science (Honour) Degree from University of Manchester, the United Kingdom.

Senior Management

Mr. Kjell Hakan ANDERSSON

Aged 54, is the Group's Regional Managing Director of Asia Pacific region. Mr. ANDERSSON has over 33 years of experience in the logistics and freight forwarding industry and has held various senior positions in international freight forwarding companies in Hong Kong and overseas. Prior to joining BALtrans, he was the Managing Director and Senior Vice President in Asia Pacific of TNT Freight Management.

Mr. Peter Yick Chung CHU

Aged 57, is the Managing Director for the PRC business of the Group. Mr. CHU has over 37 years of experience in the logistics and freight forwarding industry. He had been senior executive of several international logistics companies. Prior to joining BALtrans, he was the Managing Director of TNT Freight Management for Hong Kong and China.

Mr. John Kelly KING

Aged 55, joined the Group in 1982. Mr. KING is a Managing Director of BALtrans Logistics (Hong Kong) Limited, a principal subsidiary of the Group in Hong Kong and is responsible for its airfreight operations. He holds a Bachelor Degree in Social Science from the University of Toronto. He has 30 years of experience in freight forwarding business.

Mr. Raymond Wai Man LAW

Aged 53, joined the Group in 1983. Mr. LAW is a Managing Director of BALtrans Logistics (Hong Kong) Limited, a principal subsidiary of the Group in Hong Kong and is responsible for seafreight and logistics activities for Hong Kong and South China. He holds a Bachelor Degree in Science from the University of Alberta, Canada. He has around 25 years of experience in freight forwarding business.

Mr. Michael Johannes LOOTS

Aged 40, is the Group's Regional Managing Director of EMEA region. Mr. LOOTS has around 20 years of experience in the logistics and freight forwarding industry. Prior to joining BALtrans, he was the owner and Managing Director of Multifreight Intl B.V. in Netherlands for more than 9 years before he joined the Wilson group in 1998, and was a key executive for Wilson/TNT Freight Management for EMEA region and America and a member of its senior executive group from 1998 to 2005.

Mr. Myles O'BRIEN

Aged 49, joined the Group in 1989. Mr. O'BRIEN is the chief executive officer and president of the Group's principal subsidiaries in the United States, and is responsible for the Group's business development in the United States. He holds a Master of Business Administration Degree from University of Bridgeport, the United States. He is currently on the Advisory Board of the Kemmy Business School, University of Limerick. He has over 22 years of experience in the freight forwarding industry.

Report of the Directors

The Directors have pleasure in presenting to shareholders their report together with the audited financial statements for the year ended 31 July 2007.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the Group continue to be the provision of airfreight forwarding, ocean freight forwarding, exhibition forwarding, household removal, contract logistics, warehousing & distribution, ship spares logistics and insurance brokerage services.

An analysis of the Group's performance for the year by geographical and business segments is set out in note 6 to the financial statements.

Results and Appropriations

The results for the year are set out in the consolidated income statement on page 44. The Directors have declared an interim dividend of HK3.7 cents per share, totalling HK$11,545,000, which was paid on 29 May 2007.

The Directors recommend the payments of a final dividend of HK6.3 cents per share, totalling HK$19,683,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the financial statements.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders subject to a solvency test. As at 31 July 2007, the distributable reserves of the Company, net of dividends paid and proposed, amounted to HK$12,216,000 (2006: HK$7,918,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 7 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 17 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Bye-laws of the Company ("Bye-laws") although there is no restriction against such rights under the laws of Bermuda.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Bank Borrowings

As at 31 July 2007, short-term bank borrowings, bank overdrafts and long-term bank borrowings of the Group are repayable over the following periods:

	Short-term bank borrowings and bank overdrafts	Long-term bank borrowings
	HK$'000	HK$'000
On demand or not exceeding one year	75,470	43,077

Five Year Financial Summary

The following table summarizes the results, assets and liabilities of the Group for the five years ended 31 July 2007:

	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Note)	*(Note)*			
Results					
Profit attributable to equity holders	22,917	52,874	83,281	113,259	**62,541**
Assets and liabilities					
Total assets	948,714	1,079,869	1,246,068	1,525,322	**1,758,618**
Total liabilities	(446,552)	(535,942)	(650,849)	(881,535)	**(1,083,840)**
Total equity	502,162	543,927	595,219	643,787	**674,778**

Note: The comparative figures for the two years ended 31 July 2003 and 2004 have not been restated in accordance with the new/revised Hong Kong Financial Reporting Standards as the Directors consider that this would involve undue delay and expense.

Retirement Benefits

The Group operates two defined contribution retirement benefit schemes for its Hong Kong employees, the BALtrans Logistics (Hong Kong) Limited Retirement Scheme ("ORSO Scheme") and the Hong Kong Mandatory Provident Fund ("MPF"). The schemes are administered by independent trustees.

Under the ORSO Scheme, each employee and the Group contribute 5% and 5% to 10% respectively of each employee's basic salary to the relevant fund each month. Contributions made by the Group for those employees who cease to participate in the scheme prior to vesting fully in the contributions of the Group are forfeited and can be used to reduce the contributions.

Except for employees who commenced employment after 1 December 1999, all the existing employees were given an opportunity to select between the ORSO Scheme and the MPF. The employees who commenced employment after 1 December 1999 are required to join the MPF. For the MPF, both the Group's and employees' contributions are fixed at 5% of the employees' relevant monthly income up to a maximum of HK$1,000 per employee per month. The MPF contributions are fully and immediately vested to the employees as accrued benefits once they are paid.

Defined contribution retirement benefit schemes for staff of the Group in other countries follow the local statutory requirements of the respective countries.

During the year, the Group's provident fund contributions were as follows:

	2007 **HK$'000**	2006 HK$'000
Contributions charged to income statement for the year under the ORSO Scheme and the MPF	**5,551**	4,648
Forfeited contributions used by the Group to reduce the existing level of contributions under the ORSO Scheme	**(2)**	(201)
Contributions charged to income statement for the year pursuant to overseas statutory requirements	**18,277**	12,988
	23,826	17,435

In Taiwan, a defined benefit retirement benefit scheme is operated for its employees. The defined benefit scheme is based on salary upon retirement. The assets of the retirement benefit scheme are held independently of the Group assets in separate trustee administered funds and are valued by Watson Wyatt Taiwan Branch, a qualified actuary, annually using the projected unit credit method.

The principal actuarial assumptions used were as follows:

	2007 **%**	2006 %
Discount rate	**2.50**	2.75
Expected rate of return on plan assets	**2.75**	3.00
Expected rate of future salary increases	**2.00**	1.00

Directors

The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Anthony Siu Wing LAU
Mr. Hooi Chong NG
Mr. Tetsu TOYOFUKU
Mr. Henrik August VON SYDOW *(ceased to be a Director on 13 March 2007)*

Non-executive Directors:
Mr. William Hugh Purton BIRD
Mr. David Chung Hung WAI
Mr. Christopher John David CLARKE *(retired on 21 December 2006)*

Independent Non-executive Directors:
Mr. David Hon To YU
Ms. Miriam Kin Yee LAU
Mr. Cheung Shing NG

The Company considers that Mr. David Hon To YU, Ms. Miriam Kin Yee LAU and Mr. Cheung Shing NG are independent pursuant to the criteria set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and that annual confirmations of independence have been received from each of them.

Mr. Hooi Chong NG, Ms. Miriam Kin Yee LAU and Mr. Cheung Shing NG will retire by rotation at the forthcoming annual general meeting in accordance with Section 87(2) of the Company's Bye-laws and, being eligible, have offered themselves for re-election.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

None of the Directors have interests in a competing business to the Group's businesses.

Convertible Securities, Options, Warrants or Similar Rights

Other than the share option scheme described below, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31 July 2007. Save as disclosed below, there has been no issue or exercise of any convertible securities, options, warrants or similar rights during the year.

Share Option Scheme

The current share option scheme was adopted by the Company on 28 December 2001 (the "Share Option Scheme"). Purpose and main rules governing the Share Option Scheme are as follows:

Purpose of the scheme	The Share Option Scheme is set up for the purpose of attracting and retaining quality personnel and other persons to provide incentives for them to contribute to the business and operation of the Group
Participants of the scheme	The Directors may at their discretion grant options to the following eligible persons: (i) Any director, employee or consultant of any member 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 any member of the Group or an Affiliate; or (iii) A company beneficially owned by any director, employee or consultant of the Group; 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.
Total number of shares available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the annual report	The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme(s) shall not exceed 10% of the share capital of the Company as at 21 December 2006 – the date of the latest general meeting approving the refreshing of the mandate (the "10% limit"), i.e. 31,132,431 shares, representing about 9.96% of the issued share capital of the Company as at the date of this annual report. As at the date of this annual report, options entitling their holders to subscribe for a total of 30,200,000 shares have been granted while options entitling their holders to subscribe for a total of 8,000,000 shares have been cancelled or lapsed. Accordingly, a total of 8,932,431 shares are available for issue under the Share Option Scheme. The 10% limit may be refreshed with the approval of the shareholders of the Company. The Company may also seek separate shareholders' approval in general meeting to grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval is sought. The maximum number of shares which may be issued or issuable upon exercise of all outstanding options granted or yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum entitlement of each participant under the scheme	The total number of shares (issued and to be issued) in respect of which options may be granted under the Share Option Scheme and any other scheme(s) of the Company to any one grantee in any 12 months period shall not exceed 1% of the share capital of the Company in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.
The period within which the securities must be taken up under an option	As specified by the Directors, but in any event, not more than 10 years from the date of grant. Details are as follows:

Date of grant of option(s)	Expiry Date
4 May 2004	3 May 2009
17 August 2005	16 August 2010
7 February 2006	6 February 2011
14 March 2006	13 March 2011
15 August 2006	4 July 2016
7 September 2006	6 September 2011
6 June 2007	5 June 2012

The minimum period, if any, for which an option must be held before it can be exercised	The Share Option Scheme does not contain any provisions which specify such minimum period but such period may be specified by the Directors.
The amount, if any, payable of on application or acceptance the option and the period within which payments or calls must or may be made or loans for such purpose must be repaid	Option holders are not required to pay for grant of options.
The basis of determining the exercise price	The price per share payable on the exercise of an option is equal to the highest of: (i) the nominal value of the shares; (ii) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of grant; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or where applicable such price as from time to time adjusted pursuant to the Share Option Scheme.
The remaining life of the scheme	The scheme will end on 27 December 2011, being 10 years after the adoption of the scheme by the Company on 28 December 2001.

The total number of options granted during the financial year is 5,900,000. Details of the movement of share options during the year and the amount of share options outstanding as at 31 July 2007 which have been granted under the Share Option Scheme are as follows:

Date of grant	Exercise price per share	Options held as at the date of grant	Options held at the beginning of the year	Granted during the year	Exercised during the year	Lapsed or surrendered during the year	Options held as at 31 July 2007
4 May 2004	HK$2.045						
Directors:							
Mr. Anthony Siu Wing LAU		2,000,000	1,000,000	–	–	–	1,000,000
Mr. David Chung Hung WAI		2,000,000	1,500,000	–	(500,000)	–	1,000,000
Mr. Hooi Chong NG		1,200,000	600,000	–	–	–	600,000
		5,200,000	3,100,000	–	(500,000)	–	2,600,000
Employees:							
The Group		9,200,000	3,200,000	–	(1,300,000)	(200,000)	1,700,000
		14,400,000	**6,300,000**	**–**	**(1,800,000)**	**(200,000)**	**4,300,000**
17 August 2005	HK$2.950						
Directors:							
Mr. Anthony Siu Wing LAU		1,600,000	1,600,000	–	(400,000)	–	1,200,000
Mr. Hooi Chong NG		600,000	600,000	–	(150,000)	–	450,000
		2,200,000	2,200,000	–	(550,000)	–	1,650,000
Employees:							
The Group		800,000	800,000	–	(200,000)	(600,000)	–
		3,000,000	**3,000,000**	**–**	**(750,000)**	**(600,000)**	**1,650,000**
7 February 2006	HK$4.650						
Employees:							
The Group		3,700,000	3,700,000	–	(100,000)	–	3,600,000
		3,700,000	**3,700,000**	**–**	**(100,000)**	**–**	**3,600,000**
14 March 2006	HK$4.765						
Directors:							
Mr. Hooi Chong NG		700,000	700,000	–	–	–	700,000
Employees:							
The Group		2,500,000	2,500,000	–	–	–	2,500,000
		3,200,000	**3,200,000**	**–**	**–**	**–**	**3,200,000**
15 August 2006	HK$5.400						
Directors:							
Mr. Henrik August VON SYDOW		4,000,000	–	4,000,000	–	(4,000,000)	–
		4,000,000	**–**	**4,000,000**	**–**	**(4,000,000)**	**–**
7 September 2006	HK$5.850						
Directors:							
Mr. Anthony Siu Wing LAU		400,000	–	400,000	–	–	400,000
		400,000	**–**	**400,000**	**–**	**–**	**400,000**
6 June 2007	HK$5.150						
Employees:							
The Group		1,500,000	–	1,500,000	–	–	1,500,000
		1,500,000	**–**	**1,500,000**	**–**	**–**	**1,500,000**
		30,200,000	**16,200,000**	**5,900,000**	**(2,650,000)**	**(4,800,000)**	**14,650,000**

The above outstanding share options can be exercised as follows:

Date of grant	Closing price per share immediately before the date of grant	Tranche	Percentage	Vesting Date	Expiry Date
4 May 2004	HK$1.990	1st	25%	4 May 2005	3 May 2009
		2nd	25%	4 May 2006	
		3rd	25%	4 May 2007	
		4th	25%	4 May 2008	
17 August 2005	HK$2.950	1st	25%	17 August 2006	16 August 2010
		2nd	25%	17 August 2007	
		3rd	25%	17 August 2008	
		4th	25%	17 August 2009	
7 February 2006	HK$4.650	1st	25%	7 February 2007	6 February 2011
		2nd	25%	7 February 2008	
		3rd	25%	7 February 2009	
		4th	25%	7 February 2010	
14 March 2006	HK$4.700	1st	25%	14 March 2007	13 March 2011
		2nd	25%	14 March 2008	
		3rd	25%	14 March 2009	
		4th	25%	14 March 2010	
15 August 2006	HK$6.000	1st	25%	5 June 2007	4 July 2016
		2nd	25%	5 June 2008	
		3rd	25%	5 June 2009	
		4th	25%	5 June 2010	
7 September 2006	HK$5.800	1st	25%	7 September 2007	6 September 2011
		2nd	25%	7 September 2008	
		3rd	25%	7 September 2009	
		4th	25%	7 September 2010	
6 June 2007	HK$5.150	1st	25%	6 June 2008	5 June 2012
		2nd	25%	6 June 2009	
		3rd	25%	6 June 2010	
		4th	25%	6 June 2011	

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 31 July 2007, the interests of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers were as follows:

(a) Long positions in shares of the Company

Name of Directors	Nature of interest	Number of shares of the Company beneficially held	Approximate percentage of long position in shares to issued share capital of the Company as at 31 July 2007
Mr. Anthony Siu Wing LAU	Trust interest	73,286,000 *(Note 1)*	23.46%
	Personal interest	1,400,000	0.45%
Mr. William Hugh Purton BIRD	Corporate interest	41,803,688 *(Note 2)*	13.38%
Mr. David Chung Hung WAI	Personal interest	22,154,487	7.09%
Mr. Hooi Chong NG	Personal interest	100,000	0.03%

Notes:

1. These shares are held by Asian Rim Company Ltd., which is wholly owned by the brother and brother-in-law of Mr. Anthony Siu Wing LAU ("Mr. LAU") as the trustees of a discretionary trust set up for the benefit of Mr. LAU's family. Mr. LAU is a director of Asian Rim Company Ltd.

2. These shares are held by Tropical Holding Investment Inc. ("Tropical Holding"), which is wholly owned by Mr. William Hugh Purton BIRD and his wife. Mr. William Hugh Purton BIRD is a director of Tropical Holding.

(b) Long positions in underlying shares of the Company – share options

Name of Directors	Date of grant	Exercise price per share	Option held at the 1 August 2006	Options granted during the year	Options exercised during the year	Options lapsed/ surrendered during the year	Options held at 31 July 2007	Approximate percentage of long positions in underlying shares to issued share capital of the Company as at 31 July 2007
Mr. Anthony Siu Wing LAU	4 May 2004	HK$2.045	1,000,000	–	–	–	1,000,000	0.32%
	17 August 2005	HK$2.950	1,600,000	–	(400,000)	–	1,200,000	0.38%
	7 September 2006	HK$5.850	–	400,000	–	–	400,000	0.13%
Mr. David Chung Hung WAI	4 May 2004	HK$2.045	1,500,000	–	(500,000)	–	1,000,000	0.32%
Mr. Hooi Chong NG	4 May 2004	HK$2.045	600,000	–	–	–	600,000	0.19%
	17 August 2005	HK$2.950	600,000	–	(150,000)	–	450,000	0.14%
	14 March 2006	HK$4.765	700,000	–	–	–	700,000	0.23%
			6,000,000	**400,000**	**(1,050,000)**	**-**	**5,350,000**	**1.71%**

Saved as disclosed above and other than certain non-beneficial ordinary shares of the subsidiaries held in bare trust for the Group by Mr. Anthony Siu Wing LAU and Mr. William Hugh Purton BIRD, as at 31 July 2007, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

Apart from the Share Option Scheme disclosed above, at no time during the current year had any of the Company or its subsidiaries, been a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 31 July 2007, the interests and short positions of every persons, other than the directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the shares of the Company

Name	Number of shares	Approximate percentage of issued share capital of the Company as at 31 July 2007
Mitsui & Co., Ltd.	75,875,125	24.29%
Asian Rim Company Ltd.	73,286,000 *(Note 1)*	23.46%
Tropical Holding Investment Inc.	41,803,688 *(Note 2)*	13.38%
Veer Palthe Voute NV	25,069,245 *(Note 3)*	8.02%

Notes:

1. These shares are held by Asian Rim Company Ltd., which is wholly owned by the brother and brother-in-law of Mr. LAU as the trustees of a discretionary trust set up for the benefit of Mr. LAU's family. Mr. LAU is a director of Asian Rim Company Ltd.

2. These shares are held by Tropical Holding, which is wholly owned by Mr. William Hugh Purton BIRD and his wife, Mrs. Mary M. BIRD ("Mrs. BIRD"). Mrs. BIRD is therefore interested in the same block of shares and regarded as a substantial shareholder of the Company.

3. These shares are held by Veer Palthe Voute NV, an indirect wholly owned subsidiary of Dresdner Bank Aktiengesellschaft which in turn is a controlled corporation of Allianz SE. Therefore, Veer Palthe Voute NV, Dresdner Bank Aktiengesellschaft and Allianz SE are interested in the same block of shares.

Saved as disclosed above, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO for year ended 31 July 2007.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

For the year ended 31 July 2007, the percentage of sales or purchases attributable to the Group's five largest customers or suppliers respectively was less than 30%.

Continuing Connected Transactions

As set out in the previous annual report of the Company and an announcement dated 18 January 2006, the Group is currently providing freight forwarding and handling services to the group members of Mitsui & Co., Ltd. ("Mitsui"), a substantial shareholder of the Company pursuant to the master service agreement entered into between the Company and Mitsui on 11 January 2006. Accordingly, the provision of freight forwarding and handling services by the Group to members of the Mitsui group is treated as continuing connected transactions of the Company under the Listing Rules. The approved maximum aggregate annual values of the fees payable by members of the Mitsui group to members of the Group for the services contemplated under the agreement with respect to the three financial years ending 31 July 2008 are HK$150,000,000, HK$350,000,000 and HK$450,000,000 respectively. The aggregate value of the transactions for the year ended 31 July 2007 is HK$9,918,000.

Confirmation from directors

The Independent Non-executive Directors, Mr. David Hon To YU, Ms. Miriam Kin Yee LAU and Mr. Cheung Shing NG, have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties (as the case may be); and

(iii) in accordance with the relevant agreements governing them and on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Findings from auditors

Pursuant to Rule 14A.38 of the Listing Rules, the auditors of the Company have also performed certain agreed-upon procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported that the above continuing connected transactions:

(i) have been approved by the board of directors of the Company;

(ii) have been entered into in accordance with the terms as set out in the e-mail quotations provided by and in accordance with the pricing policy of the Group, for the samples selected; and

(iii) have not exceeded the relevant annual cap as disclosed in the relevant press announcement.

For further details regarding the above continuing connected transactions, please refer to note 37 to the financial statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the financial period, the amount of public float as required under the Listing Rules.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, have offered themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Anthony Siu Wing LAU
Executive Chairman and Acting Chief Executive

Hong Kong, 13 November 2007

The Board of Directors of BALtrans Holdings Limited (the "Company") is committed to maintaining good corporate governance practices and continuously striving for a transparent, accountable and value-driven management that aims to enhance shareholders' value and safeguard their interests. Through high standard of business integrity, management accountability and internal control, the Group can and has been able to successfully direct and control its operations across geographical regions in an effective and cohesive manner. The Board is determined and will continuously review and improve corporate governance practices in order to maintain its ethical and transparent corporate culture.

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 July 2007 except for code provisions A.2.1 and A.4.1 as discussed later in this report.

The Board of Directors

Board Composition

The Board is responsible for making decisions on major operational and financial matters as well as investments, and overseeing the management of the business. The general management and day-to-day operations, including preparation of annual and interim reports and accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, monitoring of operating budgets, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations, are delegated to the management team of the Group.

The Board is composed of the Executive Chairman (who also assumes the role of Acting Chief Executive), two other Executive Directors and five Non-executive Directors, of whom three are independent. Biographical details of the Directors are set out on pages 15 to 17 under the subject "Biographical Details of Directors and Senior Management". None of the members of the Board has any relationship (including financial, business, family or other material or relevant relationship) between each other.

Following the departure of our ex-Chief Executive in March 2007, the Executive Chairman assumes the role of Acting Chief Executive and this constituted a deviation from code provision A.2.1 of the Code. The Board is continuously looking for a suitable person to assume the position as Chief Executive. Although the roles and responsibilities for Chairman and Chief Executive are vested in one person for the time being, all major decisions are made in consultation with the Board and appropriate Board committees. In addition, the Independent Non-executive Directors in the Board bring along strong independence element to the Board's deliberation. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

The Executive Chairman is responsible for providing leadership to, and overseeing the strategic direction to, the Board to ensure it is functioning properly with good corporate governance practices and procedures. With the support of the Company Secretary, the Executive Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and reliable information on a timely manner. With the support of other Executive Directors and senior management, the Executive Chairman, as the Acting Chief Executive, is also responsible for managing the business of the Company, including the implementation of major strategies and initiatives adopted by the Board.

Non-executive Directors and Independent Non-executive Directors, with diversified business expertise and professional backgrounds (including Logistics, Sales and Marketing, Finance and Accounting, Legal and Information Technology) are not involved in day-to-day management of the Group. They actively bring their valuable experience to the Board and advise the management on the development of the Company's strategy and policies. The Independent Non-executive Directors contribute to ensuring that the Board maintains high standards of financial and other mandatory reporting, as well as providing adequate checks and balances for safeguarding the interests of all shareholders and the Company as a whole. Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider each of them to be independent.

In accordance with the Bye-laws of the Company, apart from those holding the office of Chairman or Managing Director, one-third of Directors or, if their number is not a multiple of three, the number nearest to but not less than one-third are subject to retirement by rotation and re-election at every annual general meeting of the Company. Every Director holding the office of the Chairman or Managing Director is subject to re-election once every three years. New Directors appointed by the Board during the year are required to retire and offer themselves for re-election at the next following general meeting of the Company.

For the year under review, Non-executive Directors were not appointed for a specific term, and this constituted a deviation from code provision A.4.1 of the Code. The Board regards that although no specific term were set out in writing for each of the non-executive directors, they are all subject to retirement by rotation and re-election at the Company's annual general meetings pursuant to the Company's Bye-laws. On average, Directors are subject to re-election by shareholders once every three years, and that such provision in Bye-laws ensures that shareholders may exercise their right in terminating the terms of any Non-executive Director.

As there are currently seven Directors (except the Executive Chairman) subject to the requirement to retire by rotation, and one-third of them shall retire and subject to re-election by the shareholders at each annual general meeting of the Company, each of the Non-executive Directors is effectively appointed for a term of approximately three years.

Appropriate insurance cover on Directors' liabilities has been in force to protect the Directors from their risk arising out of corporate activities. The insurance coverage is reviewed annually.

Board Meetings

The Board meets regularly and at least 4 times a year. Regular Board meetings of the year are scheduled in advance and Directors receive at least 14 days prior notice and an agenda with supporting Board papers no less than 3 days prior to the meeting. All Directors have access to the advice and service of the Company Secretary who is responsible for ensuring that correct Board procedures and all applicable rules and regulations are followed and advise the Board on all corporate governance matters, and may seek independent professional advice at the Company's expense, if necessary, in accordance with the approved procedures.

During the year ended 31 July 2007, the Board met 5 times. The attendance record of each member of the Board is set out below:

Directors	No. of Meetings Attended/Held	Attendance Rate
Executive Directors		
Mr. Anthony Siu Wing LAU		
(Executive Chairman and Acting Chief Executive)	5/5	100%
Mr. Hooi Chong NG	5/5	100%
Mr. Tetsu TOYOFUKU	5/5	100%
Mr. Henrik August VON SYDOW *(Note 1)*		
(Chief Executive)	3/3	100%
Non-executive Directors		
Mr. William Hugh Purton BIRD	5/5	100%
Mr. David Chung Hung WAI	5/5	100%
Mr. Christopher John David CLARKE *(Note 2)*	2/2	100%
Independent Non-executive Directors		
Mr. David Hon To YU	5/5	100%
Ms. Miriam Kin Yee LAU	5/5	100%
Mr. Cheung Shing NG	5/5	100%

Note 1: Ceased to be a Director on 13 March 2007.

Note 2: Retired on 21 December 2006.

Directors' Securities Transactions

The Company has adopted the model code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the year under review.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view, and ensuring that the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 41.

Board Committees

The Board has appointed the following committees with defined written terms of reference to oversee particular aspects of the Company's affairs:

Audit Committee

The Audit Committee comprises two Independent Non-executive Directors, namely Mr. Daivd Hon To YU (Chairman of the Audit Committee) and Mr. Cheung Shing NG, and a Non-executive Director Mr. William Hugh Purton BIRD. Mr. David Hon To YU has the appropriate professional qualifications and experience in financial matters as required by the Listing Rules.

Under its terms of reference, the Audit Committee is responsible for the appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system, internal control procedures, risk management frameworks and internal audit function, as well as monitoring compliance with statutory requirements. It is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval.

The Audit Committee held 3 meetings during the year ended 31 July 2007 to review (i) unaudited interim financial report and audited annual financial statements; (ii) the remuneration of external auditors and to evaluate the independence and objectivity of external Auditors; (iii) the significant internal and external audit findings and the audit plans for the internal and external auditors; and (iv) the financial and accounting policies and practices, the internal control, financial control and risk management system of the Company.

The attendance record of the Audit Committee member during the year ended 31 July 2007 is set out below:

Directors	No. of Meetings Attended/Held	Attendance Rate
Mr. David Hon To YU *(Chairman)*	3/3	100%
Mr. William Hugh Purton BIRD	3/3	100%
Mr. Cheung Shing NG	3/3	100%

Remuneration Committee

The Remuneration Committee consists of one Non-executive Director, Mr. William Hugh Purton BIRD (Chairman of the Remuneration Committee) and two Independent Non-executive Directors, namely Ms. Miriam Kin Yee LAU and Mr. Cheung Shing NG.

The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, as well as reviewing and determining the performance-based remuneration of all Executive Directors and senior management by reference to corporate goals and objectives. The written terms of reference for the Remuneration Committee clearly defined its role, functions and authorities.

The Committee held 2 meetings during the year in which all the Committee members attended. They also regularly discussed remuneration matters during the year under review.

Nomination Committee

The Nomination Committee consists of the Executive Chairman, Mr. Anthony Siu Wing LAU (Chairman of the Nomination Committee) and two Independent Non-executive Directors, namely Ms. Miriam Kin Yee LAU and Mr. Cheung Shing NG.

The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors, as well as reviewing the structure, size and composition of the Board with reference to certain guidelines as endorsed by the Nomination Committee, include appropriate professional knowledge and business experience, personal ethics, integrity and personal skills. The Nomination Committee carries out the process of selecting and recommending candidates for Directorship, including the consideration of referrals and engagement of external recruitment professionals when necessary.

As there was no nomination of Director during the year, no meeting was held by the Nomination Committee.

Auditors' Remuneration

For the financial year ended 31 July 2007, the total remuneration in respect of audit and non-audit services provided by the external auditors to the Group were as follows:

Nature of services	**Amount** (HK$'000)
Audit services	8,470
Non-audit services	
(i) Tax services	3,174
(ii) Other services (Agreed-upon procedures on connected transactions and interim results; review of acquisition/disposal transactions and others)	771

Internal Control and Risk Management

The Board has responsibility to ensure that the Group maintains a sound and effective system of internal controls. Areas of responsibilities of each regional and country management are well defined to ensure effective checks and balances. The Board assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance controls on an annual basis.

The key procedures that the Board established to provide effective internal controls are as follows:

- Establishment of regional offices in Asia Pacific and EMEA regions to continuously oversee the operations and activities of the relevant Group companies;

- A comprehensive management accounting system is in place to provide regular financial and operational performance indicators;

- The preparation of annual business plans and financial budgets by Group companies together with monthly reporting on variances between actual and budgeted performances;

- Corporate Policy and Code of Conduct are established for, but not limited to, the following objectives:

    - Proper lines of authorities;
    - Adequate control of credit exposures;
    - Safeguard of assets against unauthorized use or disposition;
    - Maintaining proper accounting records;
    - Compliance with major rules and regulations;
    - Other requirements such as staff integrity, conflict of interests and connected transactions.

- Establishments of several reporting channels for management and all other staff such as irregularity reporting on monthly basis and the implementation of "Whistle Blower Policy" for all staff members to report any malpractices and deficiencies across different parts of the Group

Corporate Internal Audit Department reports functionally to the Audit Committee and administratively to the Group Executive Director. An Internal Audit Charter was approved and adopted by the Audit Committee. It provides unrestricted access to all records, property and personnel of the Group companies within defined internal audit objectives. The major functions of Corporate Internal Audit include:

- review of material controls on financial, operational and compliance in the key business processes of the Group's operations;

- conducting special reviews on and investigations into areas of concern identified by Group's management executives;

- monitoring the progress of corrective actions recommended by the external auditors or other professionals

Pursuant to a risk-based approach, Corporate Internal Audit Department conducts independent reviews of the risks associated with and controls over various operations and activities. Subsequent to every internal audit visit, an audit report is prepared and circulated to the Audit Committee, Group's Executive Directors and the Executive Chairman. The findings in every internal audit report are thoroughly discussed with the Group companies being subject to review. Each audit finding comprises recommendations, agreed action plan and implementation time frame for rectification.

Corporate Internal Audit Department also devised a set of Internal Control Self Assessment Questionnaires ("ICSAQ") for completion by all Group companies. The ICSAQ provides a comprehensive framework on significant financial, operational, internal and regulatory compliance controls and risk management procedures that should be in place within every Group company. Management of each Group company is required to report its own assessment rankings on the strengths and weaknesses of the internal control systems. Corporate Internal Audit Department carries out independent reviews on the key control activities during the audit visits.

Audit Committee reviews reports, including management letter, submitted by external auditors to the Group's management in connection with the annual audit and also internal audit reports submitted by Corporate Internal Audit Department .

For the financial year ended 31 July 2007, the Board, through Corporate Internal Audit Department, has reviewed the effectiveness of key control activities of major operating companies over the broad based risk management functions, financial, operational and compliance controls. The Board concluded that, in general, the internal control system of the Group is adequate. Nevertheless, the Board is committed to continuing improve and strengthen the internal control systems of the Group.

With respect to procedures and internal controls for handling and dissemination of price-sensitive information, a strict prohibition on unauthorized use of confidential or insider information is included in the Code of Conduct of the Group. Employees who are privy or have access to unpublished price-sensitive information of the Group has also been notified through the Corporate Secretarial Department on the adoption of the "Code of dealing with price sensitive information and securities transactions by relevant employees".

Investor Relations and Shareholders' Rights

The Company actively promotes investor relations and communications by participating in investors' conferences. The Executive Directors respond to requests for information and queries from the investment community through press conferences and presentations.

Shareholders are encouraged to attend all general meetings of the Company. All shareholders receive proper notice of annual general meeting of the Company, at which Directors and Chairmen of each of the Board Committees or their delegates or representatives are available to answer questions on the Group's businesses.

All substantive resolutions at the annual general meeting of the Company are decided on a poll, which is conducted by the Company's Share Registrars and the results of the poll are published on the Stock Exchange's website (www.hkex.com.hk) as well as on the Company's website (www.baltrans.com). Financial and other information is made available on the Company's website, which is regularly updated.

Under the Company's Bye-laws, shareholders holding not less than one-tenth of the paid up capital of the Company have the right to call for special general meetings and put forward agenda items for consideration by shareholders by depositing to the Board or the Company Secretary a written request for such meetings together with such agenda items. The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption.

Any enquiries by shareholders can be sent in writing to the Company at the Company's business address in Hong Kong, or by e-mail via the Company's website.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BALTRANS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of BALtrans Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 123, which comprise the consolidated and company balance sheets as at 31 July 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 November 2007

Consolidated Balance Sheet

As at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**99,916**	111,602
Leasehold land and land use rights	8	**52,562**	53,740
Intangible assets	9	**352,358**	196,362
Jointly controlled entities	11	**7,144**	6,581
Associates	12	**4,420**	3,758
Derivative financial instruments	13	**16,424**	5,694
Available-for-sale financial assets	14	**615**	615
Deferred income tax assets	21	**15,872**	11,141
		549,311	389,493
Current assets			
Trade and other receivables	15	**896,970**	794,695
Financial assets at fair value through profit or loss	16	**–**	4,397
Derivative financial instruments	13	**–**	340
Current income tax assets		**2,589**	2,708
Bank balances and cash	33(f)	**309,748**	333,689
		1,209,307	1,135,829
Total assets		**1,758,618**	1,525,322
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	**31,242**	30,977
Reserves	18		
Retained profits		**356,804**	325,980
Other reserves		**210,315**	199,605
Proposed dividends		**19,683**	36,553
		618,044	593,115
Minority interests		**56,734**	50,672
Total equity		**674,778**	643,787
LIABILITIES			
Non-current liabilities			
Borrowings	19	**139,747**	5,269
Retirement liabilities	20	**1,040**	1,447
Deferred income tax liabilities	21	**4,020**	816
Other non-current liabilities	22	**81,976**	76,192
		226,783	83,724
Current liabilities			
Trade and other payables	23	**685,671**	562,915
Borrowings	19	**123,092**	208,088
Current income tax liabilities		**48,294**	26,808
		857,057	797,811
Total liabilities		**1,083,840**	881,535
Total equity and liabilities		**1,758,618**	1,525,322
Net current assets		**352,250**	338,018
Total assets less current liabilities		**901,561**	727,511

Anthony Siu Wing LAU
Director

Hooi Chong NG
Director

Balance Sheet

As at 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**–**	–
Subsidiaries	10(a)	**229,569**	231,929
Derivative financial instruments	13	**16,424**	5,694
Available-for-sale financial assets	14	**615**	615
		246,608	238,238
Current assets			
Amounts due from subsidiaries	10(b)	**187,761**	155,251
Prepayments	15	**177**	154
Bank balances and cash	33(f)	**1,221**	106
		189,159	155,511
Total assets		**435,767**	393,749
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	**31,242**	30,977
Reserves	18		
Retained profits		**24,057**	3,542
Other reserves		**235,589**	226,609
Proposed dividends		**19,683**	36,553
Total equity		**310,571**	297,681
LIABILITIES			
Non-current liabilities			
Other non-current liabilities	22	**81,976**	76,192
Current liabilities			
Amounts due to subsidiaries	10(b)	**37,061**	13,757
Accrued charges and other payables	23	**6,159**	6,015
Bank overdrafts	19	**–**	104
		43,220	19,876
Total liabilities		**125,196**	96,068
Total equity and liabilities		**435,767**	393,749

Anthony Siu Wing LAU
Director

Hooi Chong NG
Director

Consolidated Income Statement

For the year ended 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	6	**4,630,059**	4,046,380
Cost of services rendered	24	**(3,756,388)**	(3,386,059)
Gross profit		**873,671**	660,321
Other gains, net	25	**28,519**	44,097
Administrative and other operating expenses	24	**(780,984)**	(566,520)
Operating profit		**121,206**	137,898
Finance income	26	**6,211**	4,442
Finance costs	26	**(16,925)**	(4,780)
Finance costs, net		**(10,714)**	(338)
Share of profits less losses of			
Jointly controlled entities		**1,593**	1,176
Associates		**141**	4,132
Profit before income tax		**112,226**	142,868
Income tax expenses	27	**(34,756)**	(18,965)
Profit for the year		**77,470**	123,903
Attributable to:			
Equity holders of the Company	28	**62,541**	113,259
Minority interests		**14,929**	10,644
		77,470	123,903
Dividends	29	**31,228**	48,000
		HK cents	HK cents
Earnings per share			
Basic	30	**20.1**	37.1
Diluted	30	**19.8**	36.4

Consolidated Statement of Changes in Equity

For the year ended 31 July 2007

	Attributable to equity holders of the Company					
	Share capital HK$'000	Retained profits HK$'000	Other reserves HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 August 2005	30,220	300,670	242,330	573,220	21,999	595,219
Net income recognised directly in equity:						
Exchange differences arising on translation of the financial statements of subsidiaries, jointly controlled entities and associates	–	–	(3,356)	(3,356)	(8)	(3,364)
Profit for the year	–	113,259	–	113,259	10,644	123,903
Total recognised income/(expense) for the year ended 31 July 2006	–	113,259	(3,356)	109,903	10,636	120,539
Issue of shares upon exercise of share options	420	–	8,169	8,589	–	8,589
Issue of shares upon acquisition of a subsidiary	337	–	11,201	11,538	–	11,538
Disposal of subsidiaries	–	–	–	–	(151)	(151)
Acquisition of subsidiaries	–	–	–	–	29,518	29,518
Acquisition of additional interests in subsidiaries	–	–	–	–	(8,615)	(8,615)
Capital contribution from minority shareholders	–	–	–	–	117	117
Fair value changes arising from business combinations	–	–	6,637	6,637	–	6,637
Recognition of put option liabilities arising from business combinations	–	–	(76,192)	(76,192)	–	(76,192)
Recognition of derivative financial instruments arising from business combinations	–	–	5,694	5,694	–	5,694
Share-based payments	–	–	4,459	4,459	–	4,459
Dividends	–	(50,733)	–	(50,733)	(2,832)	(53,565)
Transfer	–	(663)	663	–	–	–
At 31 July 2006	30,977	362,533	199,605	593,115	50,672	643,787
Representing:						
Retained profits		325,980				
Proposed dividend		36,553				
		362,533				

Consolidated Statement of Changes in Equity

For the year ended 31 July 2007

	Attributable to equity holders of the Company					
	Share capital HK$'000	Retained profits HK$'000	Other reserves HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 August 2006	30,977	362,533	199,605	593,115	50,672	643,787
Net income recognised directly in equity:						
Exchange differences arising on translation of the financial statements of subsidiaries, jointly controlled entities and associates	–	–	(3,656)	(3,656)	(1,513)	(5,169)
Profit for the year	–	62,541	–	62,541	14,929	77,470
Total recognised income/(expense) for the year ended 31 July 2007	**–**	**62,541**	**(3,656)**	**58,885**	**13,416**	**72,301**
Issue of shares upon exercise of share options	265	–	6,093	6,358	–	6,358
Acquisition of subsidiaries	–	–	–	–	301	301
Acquisition of additional interests in subsidiaries	–	–	–	–	(633)	(633)
Fair value changes arising from business combinations	–	–	2,265	2,265	–	2,265
Share-based payments	–	–	5,519	5,519	–	5,519
Dividends	–	(48,098)	–	(48,098)	(7,022)	(55,120)
Transfer	–	(489)	489	–	–	–
At 31 July 2007	**31,242**	**376,487**	**210,315**	**618,044**	**56,734**	**674,778**
Representing:						
Retained profits		356,804				
Proposed dividend		19,683				
		376,487				

Consolidated Cash Flow Statement

For the year ended 31 July 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash generated from operations	33(a)	**137,329**	163,523
Interest received		**6,211**	4,442
Hong Kong profits tax paid		**(2,027)**	(1,623)
Overseas taxation paid		**(16,161)**	(14,419)
Net cash from operating activities		**125,352**	151,923
Cash flows from investing activities			
Purchase of property, plant and equipment		**(17,188)**	(23,053)
Increase in pledged bank deposits		**(665)**	(3,971)
Decrease in bank deposits maturing more than three months from the date of placement		**–**	7,840
Proceeds from disposal of property, plant and equipment, leasehold land and land use rights		**5,726**	7,333
Sale of financial assets at fair value through profit or loss		**4,105**	10,000
Purchase of available-for-sale financial assets		**–**	(615)
Purchase of financial assets at fair value through profit or loss		**–**	(2,212)
Sale of derivative financial instruments		**340**	–
Purchase of derivative financial instruments		**–**	(340)
Acquisition of subsidiaries	33(c)	**(126,516)**	(31,685)
Acquisition of jointly controlled entities		**–**	(2,880)
Acquisition of an associate		**(2,758)**	–
Acquisition of additional interests in subsidiaries	33(d)	**(3,807)**	(34,870)
Refund of investment in a subsidiary		**–**	356
Deferred consideration paid		**(2,663)**	(6,590)
Disposal of subsidiaries	33(e)	**–**	551
Disposal of associates		**1,648**	37,500
Decrease in loan to a jointly controlled entity		**–**	1,000
Dividend received from jointly controlled entities		**1,337**	–
Dividend received from an associate		**646**	–
Net cash used in investing activities		**(139,795)**	(41,636)

	Note	2007 HK$'000	2006 HK$'000
Cash flows from financing activities			
Dividends paid		**(48,098)**	(50,733)
Dividends paid to minority shareholders		**(7,022)**	(2,832)
Repayment of amounts due to minority shareholders		**(528)**	(419)
Issue of shares upon exercise of share options		**6,358**	8,589
New bank borrowings		**196,381**	82,973
Repayment of bank borrowings		**(123,078)**	(59,454)
Interest paid		**(16,779)**	(4,730)
Capital element of finance leases rental payments		**(455)**	(1,785)
Interest element of finance leases rental payments		**(146)**	(50)
Net cash from/(used in) financing activities	33(b)	**6,633**	(28,441)
(Decrease)/increase in cash and cash equivalents		**(7,810)**	81,846
Cash and cash equivalents at the beginning of the year		**280,019**	203,027
Exchange gains/(losses) on cash and cash equivalents		**3,188**	(4,854)
Cash and cash equivalents at the end of the year	33(f)	**275,397**	280,019

1 General information

BALtrans Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the provision of air and sea freight forwarding services, exhibition forwarding and household removal services and third party logistics (including contract logistics, warehousing & distribution and ship spares logistics).

The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements have been approved for issue by the Board of Directors on 13 November 2007.

2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements have been prepared under the historical cost convention, except that available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimate are significant to the financial statements, are disclosed in note 5.

3 Summary of significant accounting policies

The following new amendments to standards and interpretations are mandatory for the year ended 31 July 2007 and are relevant to the Group's operations:

HKAS 19 Amendment	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC) – Int 8	Scope of HKFRS 2

The adoption of above amendments and interpretations did not result in substantial changes to the Group's accounting policies.

3 Summary of significant accounting policies *(Continued)*

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 August 2007 or later periods and may be relevant to the Group's operations as follows:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements – Capital Disclosures	1 January 2007
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

The Group has not early adopted the above standards, interpretations and amendments but will apply them from 1 August 2007. It is not expected to have a significant impact on the Group's financial statements.

The significant accounting policies applied in the preparation of the financial statements are set out below:

(a) Group accounting

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 July.

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

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. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

3 Summary of significant accounting policies *(Continued)*

(a) Group accounting *(Continued)*

Investments in jointly controlled entities and associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities and associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the post-acquisition profits or losses of the jointly controlled entities and associates is recognised in the income statement, 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 associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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 associates are eliminated to the extent of the Group's interests in the jointly controlled entities and associates. 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 associates, the gain or loss on disposal is calculated by reference to the net assets of the subsidiaries, jointly controlled entities and associates at the date of disposal, including the attributable amount of goodwill.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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.

3 Summary of significant accounting policies *(Continued)*

(a) Group accounting *(Continued)*

(ii) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity.

(iii) Associates

Associates 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.

(iv) Minority interests

Minority interests represent the interest of the outside shareholders in the operating results and net assets of subsidiaries. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying amount of net assets of the subsidiaries being acquired.

(b) 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 associate 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 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.

(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 5 to 10 years.

3 Summary of significant accounting policies *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

Buildings	2 – 6%
Leasehold improvements	20 – 35%
Office furniture and equipment	20%
Motor vehicles	20 – 25%
Computer system	20 – 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) 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 non-current liabilities. The finance charges are expensed in the income statement over the lease periods.

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

3 Summary of significant accounting policies *(Continued)*

(d) 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 expensed in the income statement on a straight-line basis over the lease periods.

(e) Leasehold land and land use rights

The upfront prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the rights or when there is impairment, the impairment is expensed in the income statement.

(f) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation or amortisation are at least tested for impairment annually and are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or 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 income statement. 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.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within administrative and other operating expenses.

3 Summary of significant accounting policies *(Continued)*

(h) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3 Summary of significant accounting policies *(Continued)*

(h) Investments *(Continued)*

Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the securities below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(i) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and is so, the nature of the item being hedged. The Group designates certain derivatives as hedges of particular risks associated with a recognised asset or liability or highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

3 Summary of significant accounting policies *(Continued)*

(i) Derivative financial instruments *(Continued)*

The fair values of various derivative instruments used for hedging purposes are disclosed in note 13. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge item is more than twelve months, and as a current asset or liability, and if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as current assets or liabilities.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in other gains/other operating expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other gains/other operating expenses.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other gains/other operating expenses.

(j) Cash and cash equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3 Summary of significant accounting policies *(Continued)*

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(n) Put option liabilities

The Group's contractual obligation is recognised in respect of the purchase of the equity instruments giving rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on the counterparty exercising a right to redeem.

If the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expense in the income statement.

3 Summary of significant accounting policies *(Continued)*

(o) Deferred income tax

Deferred income tax 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 consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

3 Summary of significant accounting policies *(Continued)*

(p) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all the entities of the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates; and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to Group's total equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(q) Recognition of revenue and income

Revenue is shown net of revenue reducing factors, such as sales tax, returns, rebates and discounts and allowances for credit. Revenue is recognised when it is probable that future economic benefits will accrue to the Group and these benefits can be measured reliably on the following bases:

(i) Revenues from the provision of freight forwarding services are recognised when services are rendered, which generally coincide with the dates of departure for outward freight and the dates of arrival for inward freight.

(ii) Revenues from the provision of exhibition forwarding and household removal services and third party logistics (including contract logistics, warehousing & distribution and ship spares logistics) are recognised when the services are rendered.

(iii) Revenue from the provision of management services is recognised when the services are rendered.

3 Summary of significant accounting policies *(Continued)*

(q) Recognition of revenue and income *(Continued)*

(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 using the effective interest method.

(vi) Income on sale of investments is recognised when the title of the related investments is passed to the purchaser.

(r) 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 liabilities

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 funded by payments from employees and 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.

3 Summary of significant accounting policies *(Continued)*

(r) Employee benefits *(Continued)*

(iii) Retirement liabilities (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 income statement 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. Actuarial gains and losses are recognised over the average remaining service lives of the employees.

(iv) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(s) 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 financial statements. 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.

3 Summary of significant accounting policies *(Continued)*

(s) Contingent liabilities and contingent assets *(Continued)*

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

(t) Borrowing costs

Borrowing costs are charged to the income statement in the year in which they incurred.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(2) Price risk

The Group has issued certain call options (note 22) which are both required to be stated at their fair values (see fair value estimation below).

The Group is not exposed to any significant commodity price risk.

(ii) Credit risk

The carrying amounts of bank balances and cash and trade and other receivables represent the Group's exposure to credit risk in relation to financial assets.

There is no concentration of credit risk with respect to trade receivables from third party customers as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Group's turnover. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables.

No other financial assets carry a significant exposure to credit risk.

4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk

The Group adopts prudent liquidity risk management which implies maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group requires adequate working capital to be retained by overseas subsidiaries and then transfers excess funds back to the head office. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has not entered into any interest rate swap contracts as the exposure to interest rate risk is not significant.

(b) Fair value estimation

The fair values of the Group's available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss are determined by reference to the methods below:

(i) the quoted market price when the related investment is traded in an active market;

(ii) valuation techniques (including pricing models or discounted cash flow models); and

(iii) the price for similar recent transactions, with adjustment on the difference in market conditions and circumstances.

The nominal value less impairment provision (if applicable) of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and other assets

The Group tests annually whether goodwill and other assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

If the future cash flow from respective investments had been 10% lower than the management's estimates as adopted in the value-in-use calculations or the estimated pre-tax discount rate applied to the value-in-use calculations had been 10% higher than the management's estimates, the Group had to recognise impairment losses of HK$10,309,000 and HK$13,509,000 respectively.

(b) Put option liabilities

The present value of the put option liabilities in respect of the option arrangement on acquisition of subsidiaries is estimated by management based on various assumptions and estimates, including the forecast profits after tax for certain years prior to the exercise of the options, gross margin, discount rates and expected timing of exercise of the put option.

If the profits after tax of the respective investments differs by 10% from management's estimates as adopted in the profit forecast, the other non-current liabilities and other gain, net, will be HK$7,924,000 higher or HK$7,924,000 lower.

(c) Derivative financial instruments – call options

The fair value of the call options in respect of the option arrangement on the acquisition of subsidiaries is estimated by management with reference to the independent professional valuation report. The valuation is based on various assumptions and estimates, including the forecast profits after tax for certain years prior to the exercise of the options, gross margin, discount rates, stock price volatility, probability and expected time of exercise of the call options.

Any changes in the various assumptions and estimates in respect of the valuation of the call options will have impact to their fair values and the income statement.

5 Critical accounting estimates and judgements *(Continued)*

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact both current and deferred income tax provisions in the period in which such determination is made.

The Group's management determines the amount of deferred income tax assets to be recognised by estimating the amount of future profit available to utilise the tax losses in the relevant tax jurisdiction and entity. The estimation is based on the projected profit in respective jurisdiction that is mainly based on market conditions existing on the balance sheet date. It could change as a result of the uncertainties in the market conditions.

(e) Share-based payments

The fair value of options granted is estimated based on valuations by independent professional valuers. The valuations are based on various assumptions on share prices, volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

(f) Impairment of trade receivables

The policy for provision for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis and by management judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables.

6 Revenue and segment information

	2007 HK$'000	2006 HK$'000
Turnover		
Revenue from rendering freight forwarding services		
Air freight	**2,418,006**	2,392,198
Sea freight	**1,791,568**	1,344,053
Exhibition forwarding and household removal services	**184,490**	129,961
Third party logistics	**235,995**	180,168
	4,630,059	4,046,380

(a) Primary reporting format – geographical segments

The Group is organised into the following geographical segments:

(i) Asia Pacific (including Greater China and Southeast Asia);

(ii) North America; and

(iii) Europe, Middle East and Africa ("EMEA").

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, trade and other receivables, available-for-sale financial assets, derivative financial instruments, financial assets at fair value through profit or loss and operating cash and mainly exclude current income tax assets and deferred income tax assets. Segment liabilities comprise trade and other payables, bank borrowings and other non-current liabilities and mainly exclude current income tax liabilities and deferred income tax liabilities. Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

6 Revenue and segment information *(Continued)*

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

	For the year ended 31 July 2007				
	Asia Pacific HK$'000	North America HK$'000	EMEA HK$'000	Elimination HK$'000	Group HK$'000
Turnover					
External	2,424,703	547,638	1,657,718	–	4,630,059
Inter-segment	627,039	127,101	140,482	(894,622)	–
Total	3,051,742	674,739	1,798,200	(894,622)	4,630,059
Segment results	73,639	11,592	35,975	–	121,206
Finance income	2,969	1,810	1,432	–	6,211
Finance costs	(7,959)	(845)	(8,121)	–	(16,925)
Finance costs, net	(4,990)	965	(6,689)	–	(10,714)
Share of profits less losses of					
Jointly controlled entities	1,593	–	–	–	1,593
Associates	184	32	(75)	–	141
Profit before income tax					112,226
Income tax expenses					(34,756)
Profit for the year					77,470
Segment assets	877,633	127,320	723,640	–	1,728,593
Jointly controlled entities	7,144	–	–	–	7,144
Associates	1,182	555	2,683	–	4,420
Unallocated assets					18,461
Total assets					1,758,618
Segment liabilities	621,764	47,415	362,347	–	1,031,526
Unallocated liabilities					52,314
Total liabilities					1,083,840
Capital expenditure for					
Property, plant and equipment	10,555	307	7,397	–	18,259
Intangible assets	2,482	–	155,806	–	158,288
Depreciation charge	15,874	719	5,010	–	21,603
Amortisation charge					
Leasehold land and land use rights	1,212	–	–	–	1,212
Intangible assets	718	–	13,998	–	14,716

6 Revenue and segment information *(Continued)*

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

	For the year ended 31 July 2006				
	Asia Pacific HK$'000	North America HK$'000	EMEA HK$'000	Elimination HK$'000	Group HK$'000
Turnover					
External	2,845,295	611,140	589,945	–	4,046,380
Inter-segment	432,015	107,882	68,577	(608,474)	–
Total	3,277,310	719,022	658,522	(608,474)	4,046,380
Segment results	103,033	20,213	14,652	–	137,898
Finance income	2,792	1,226	424	–	4,442
Finance costs	(2,211)	(824)	(1,745)	–	(4,780)
Finance costs, net	581	402	(1,321)	–	(338)
Share of profits less losses of					
Jointly controlled entities	1,176	–	–	–	1,176
Associates	1,179	173	2,780	–	4,132
Profit before income tax					142,868
Income tax expenses					(18,965)
Profit for the year					123,903
Segment assets	993,364	130,309	377,461	–	1,501,134
Jointly controlled entities	6,581	–	–	–	6,581
Associates	2,839	522	397	–	3,758
Unallocated assets					13,849
Total assets					1,525,322
Segment liabilities	481,685	43,668	328,558	–	853,911
Unallocated liabilities					27,624
Total liabilities					881,535
Capital expenditure for					
Property, plant and equipment	19,087	397	3,569	–	23,053
Intangible assets	29,280	–	46,056	–	75,336
Depreciation charge	18,944	833	2,049	–	21,826
Amortisation charge					
Leasehold land and land use rights	1,372	–	–	–	1,372
Intangible assets	495	–	1,135	–	1,630

6 Revenue and segment information *(Continued)*

(b) Secondary reporting format – business segments

	As at and for the year ended 31 July 2007			
	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Air freight	**2,418,006**	**51,535**	**631,524**	**38,880**
Sea freight	**1,791,568**	**37,703**	**504,662**	**124,410**
Exhibition forwarding and household removal services	**184,490**	**16,627**	**76,340**	**1,937**
Third party logistics	**235,995**	**10,119**	**59,046**	**11,320**
	4,630,059	**115,984**	**1,271,572**	**176,547**
Jointly controlled entities	**–**	**–**	**7,144**	**–**
Associates	**–**	**–**	**4,420**	**–**
Unallocated[1]	**–**	**5,222**	**475,482**	**–**
Total	**4,630,059**	**121,206**	**1,758,618**	**176,547**

	As at and for the year ended 31 July 2006			
	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Air freight	2,392,198	61,829	653,664	50,972
Sea freight	1,344,053	30,749	428,646	40,008
Exhibition forwarding and household removal services	129,961	14,865	61,813	1,993
Third party logistics	180,168	9,272	43,241	5,416
	4,046,380	116,715	1,187,364	98,389
Jointly controlled entities	–	–	6,581	–
Associates	–	–	3,758	–
Unallocated[1]	–	21,183	327,619	–
Total	4,046,380	137,898	1,525,322	98,389

Note:

1 Unallocated segment results for the year ended 31 July 2007 mainly comprise fair value gain on derivative financial instruments, net increase in put option liabilities, gain on disposal of associates, gain on disposal of jointly controlled entities and gain/(loss) on disposal of financial assets at fair value through profit or loss.

Unallocated segment results for the year ended 31 July 2006 mainly comprised gain on disposal of associates and gain on disposal of financial assets at fair value through profit or loss.

Unallocated assets comprise intangible assets, buildings, leasehold land and land use rights, current income tax assets and deferred income tax assets.

7 Property, plant and equipment

Group

	Buildings	Leasehold improvements	Office furniture and equipment	Motor vehicles	Computer system	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 August 2006	80,779	29,791	38,256	18,441	52,418	219,685
Exchange differences	(292)	46	1,225	713	1,176	2,868
Acquisition of subsidiaries	–	77	5,948	152	1,541	7,718
Additions	–	2,605	5,586	1,839	8,229	18,259
Disposals and write off	(9,807)	(1,734)	(6,961)	(5,177)	(2,736)	(26,415)
At 31 July 2007	**70,680**	**30,785**	**44,054**	**15,968**	**60,628**	**222,115**
Accumulated depreciation and impairment						
At 1 August 2006	17,111	19,130	26,900	11,409	33,533	108,083
Exchange differences	5	57	936	483	1,074	2,555
Acquisition of subsidiaries	–	34	2,840	75	1,027	3,976
Depreciation charge	1,463	4,546	5,245	2,125	8,224	21,603
Disposals and write off	–	(1,635)	(6,049)	(3,731)	(2,603)	(14,018)
At 31 July 2007	**18,579**	**22,132**	**29,872**	**10,361**	**41,255**	**122,199**
Net book value						
At 31 July 2007	**52,101**	**8,653**	**14,182**	**5,607**	**19,373**	**99,916**

7 Property, plant and equipment *(Continued)*

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Office furniture and equipment HK$'000	Motor vehicles HK$'000	Computer system HK$'000	Total HK$'000
Cost						
At 1 August 2005	71,276	51,113	35,690	15,711	49,735	223,525
Exchange differences	(3)	7	481	335	911	1,731
Acquisition of subsidiaries	12,964	–	8,336	3,460	5,082	29,842
Additions	–	5,240	5,090	2,389	10,334	23,053
Disposals and write off	(3,458)	(26,569)	(11,341)	(3,454)	(13,644)	(58,466)
At 31 July 2006	80,779	29,791	38,256	18,441	52,418	219,685
Accumulated depreciation and impairment						
At 1 August 2005	16,802	38,830	24,960	10,135	34,478	125,205
Exchange differences	(14)	76	476	244	755	1,537
Acquisition of subsidiaries	36	–	6,205	1,829	4,053	12,123
Depreciation charge	1,464	6,652	4,621	2,000	7,089	21,826
Disposals and write off	(1,177)	(26,428)	(9,362)	(2,799)	(12,842)	(52,608)
At 31 July 2006	17,111	19,130	26,900	11,409	33,533	108,083
Net book value						
At 31 July 2006	63,668	10,661	11,356	7,032	18,885	111,602

Notes:

(a) At 31 July 2006, buildings with net book values of HK$61,670,000 were pledged to banks to secure banking facilities granted to the Group (note 35).

(b) Net book value of property, plant and equipment held by the Group under finance leases amounted to HK$1,487,000 (2006: HK$3,231,000).

Company

	Office equipment HK$'000	Computer system HK$'000	Total HK$'000
Cost			
At 31 July 2005, 31 July 2006 and 31 July 2007	8	21	29
Accumulated depreciation			
At 31 July 2005, 31 July 2006 and 31 July 2007	(8)	(21)	(29)
Net book value			
At 31 July 2006 and 31 July 2007	–	–	–

8 Leasehold land and land use rights

	Group	
	2007	2006
	HK$'000	HK$'000
At the beginning of the year	**53,740**	55,923
Exchange differences	**34**	12
Acquisition of subsidiaries	**–**	898
Amortisation charge	**(1,212)**	(1,372)
Disposals	**–**	(1,721)
At the end of the year	**52,562**	53,740

Notes:

(a) The Group's interests in leasehold land and land use rights are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**48,555**	49,684
Outside Hong Kong, held on:		
Leases over 50 years	**719**	732
Leases of between 10 to 50 years	**3,288**	3,324
	4,007	4,056
	52,562	53,740

(b) At 31 July 2006, leasehold land with net book value of HK$49,684,000 was pledged to banks to secure banking facilities granted to the Group (note 35).

9 Intangible assets

Group

	Goodwill	Other intangible assets	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 August 2005	118,210	4,271	122,481
Acquisition of subsidiaries (note 33(c))	2,106	34,849	36,955
Acquisition of additional interest in subsidiaries	38,381	–	38,381
Adjustment of goodwill in respect of acquisitions in prior years	270	–	270
Exchange difference	–	83	83
At 31 July 2006	158,967	39,203	198,170
Acquisition of subsidiaries (note 33(c))	112,044	43,444	155,488
Acquisition of additional interest in subsidiaries	2,800	–	2,800
Adjustment of goodwill in respect of acquisitions in prior years	1,817	–	1,817
Exchange difference	7,811	2,796	10,607
At 31 July 2007	**283,439**	**85,443**	**368,882**
Accumulated amortisation and impairment			
At 1 August 2005	–	178	178
Amortisation charge	–	1,630	1,630
At 31 July 2006	–	1,808	1,808
Amortisation charge	–	14,716	14,716
At 31 July 2007	**–**	**16,524**	**16,524**
Net book value			
At 31 July 2007	**283,439**	**68,919**	**352,358**
At 31 July 2006	158,967	37,395	196,362

9 Intangible assets *(Continued)*

Notes:

(a) Other intangible assets represented agency network, customer base and licence and are valued by American Appraisal China Limited, an independent firm of chartered surveyors, at respective dates of acquisitions.

(b) The amortisation charge of other intangible assets of HK$14,716,000 (2006: HK$1,630,000) is included in administrative and other operating expenses in the consolidated income statement.

(c) 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 do 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 16% per annum 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 5% per annum; and

(iii) discount rate of 11.81% per annum.

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.

10 Subsidiaries

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted investments, at cost	**208,129**	208,129
Loan to a subsidiary (note a)	**21,440**	23,800
	229,569	231,929

Notes:

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

10 Subsidiaries *(Continued)*

(b) Amounts due from/(to) subsidiaries are as follows:

	Company	
	2007	2006
	HK$'000	HK$'000
Amounts due from subsidiaries (note i)	**187,761**	155,251
Amounts due to subsidiaries (note ii)	**(37,061)**	(13,757)
	150,700	141,494

(i) Amounts due from subsidiaries are unsecured, interest free and repayable on demand. The amounts are denominated in the following currencies:

	Company	
	2007	2006
	HK$'000	HK$'000
Hong Kong dollar	**187,761**	152,050
South Africa rand	**–**	3,201
	187,761	155,251

(ii) Amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The amounts are denominated in Hong Kong dollar.

(c) In May 2004, the Group acquired 60% equity interests in Exhibitstrans Logistics Limited ("Exhibitstrans") at an initial consideration of HK$4,010,000 with further contingent consideration payable in 2005, 2006 and 2007. The contingent consideration will be arrived at by multiplying an applicable percentage to each tier of gross profit achieved within those financial years, as summarised below:

Tiers of annual gross profit achieved during each financial year	**Applicable percentage**
1. The first US$200,000 gross profit achieved	0%
2. Gross profit between US$200,001 and US$600,000	45.8%
3. Gross profit in excess of US$600,000	15%

The consideration has been calculated to be HK$3,652,000 (2006: HK$4,872,000) based on the agreed formula after the gross profit achieved for those financial years. This amount has been accrued and included as deferred consideration payable as at 31 July 2007.

(d) Details of principal subsidiaries as at 31 July 2007 are set out in note 39(a) to the financial statements.

11 Jointly controlled entities

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted investments		
Share of net assets	**7,144**	6,581
At cost	**2,932**	4,099

Notes:

(a) Details of principal jointly controlled entities as at 31 July 2007 are set out in note 39(b) to the financial statements.

(b) The Group's shares of results, assets and liabilities of the jointly controlled entities are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Revenue	**10,316**	5,387
Expenses	**(8,723)**	(4,211)
Profit after income tax	**1,593**	1,176
Non-current assets	**1,117**	57
Current assets	**7,445**	7,810
Total assets	**8,562**	7,867
Non-current liabilities	**(156)**	–
Current liabilities	**(1,262)**	(1,286)
	(1,418)	(1,286)
Net assets	**7,144**	6,581

12 Associates

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted investments		
Share of net assets	**1,807**	3,758
Goodwill on acquisition	**2,613**	–
	4,420	3,758
At cost	**4,178**	5,943

Notes:

(a) Details of principal associates as at 31 July 2007 are set out in note 39(c) to the financial statements.

(b) The Group's shares of results, assets and liabilities of the associates are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Revenue	**52,786**	261,959
Expenses	**(52,645)**	(257,827)
Profit after income tax	**141**	4,132
Non-current assets	**393**	10,501
Current assets	**11,158**	45,873
Total assets	**11,551**	56,374
Non-current liabilities	**(300)**	(18,779)
Current liabilities	**(9,444)**	(33,837)
Total liabilities	**(9,744)**	(52,616)
Net assets	**1,807**	3,758

13 Derivative financial instruments

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Call options (note 22)	**16,424**	5,694	**16,424**	5,694
Current				
Forward foreign exchange contracts (note)	**–**	340	**–**	–
	16,424	6,034	**16,424**	5,694

Note:

As at 31 July 2006, the notional principal amounts of the outstanding forward foreign exchange contracts were HK$11,936,000.

14 Available-for-sale financial assets

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Unlisted equity securities, at fair value	**615**	615

15 Trade and other receivables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
Third parties	**809,007**	721,592	**–**	–
Jointly controlled entities	**293**	943	**–**	–
Associates	**6,098**	32,728	**–**	–
Related companies	**2,520**	1,417	**–**	–
Minority shareholders	**1**	13	**–**	–
	817,919	756,693	**–**	–
Less: Provision for impairment	**(21,254)**	(57,731)	**–**	–
	796,665	698,962	**–**	–
Deposits, prepayments and other receivables				
Third parties	**94,345**	95,733	**177**	154
A related company	**5,960**	–	**–**	–
	100,305	95,733	**177**	154
	896,970	794,695	**177**	154

Notes:

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

(b) Trade receivables, deposits, prepayments and other receivables from jointly controlled entities, associates, related companies and minority shareholders are unsecured and interest free. 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 or mutually agreed repayment terms.

15 Trade and other receivables *(Continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
30 days or below	**510,899**	413,944
31 – 60 days	**199,569**	214,051
61 – 90 days	**52,512**	46,841
Over 90 days	**33,685**	24,126
	796,665	698,962

(d) The carrying amounts of trade and other receivables approximate their fair values.

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
South African rand	**210,779**	187,746	**–**	–
Hong Kong dollar	**173,479**	197,157	**177**	154
US dollar	**125,033**	134,385	**–**	–
Euro	**96,233**	46,676	**–**	–
Great British pound	**95,945**	68,025	**–**	–
Renminbi	**49,370**	64,823	**–**	–
Singapore dollar	**34,844**	38,053	**–**	–
Swedish kronor	**27,277**	–	**–**	–
Canadian dollar	**27,263**	5,822	**–**	–
New Taiwanese dollar	**23,719**	36,703	**–**	–
Other currencies	**33,028**	15,305	**–**	–
	896,970	794,695	**177**	154

(f) Trade receivables with net book value of HK$32,549,000 (2006: HK$76,868,000) have been pledged to banks to secure banking facilities granted to the Group (note 35).

16 Financial assets at fair value through profit or loss

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted equity securities		
At the beginning of the year	**4,397**	1,565
Exchange differences	**–**	232
Additions	**–**	2,212
Disposal	**(4,397)**	(100)
Changes in fair value	**–**	488
At the end of the year	**–**	4,397

17 Share capital

	2007		2006	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Shares of HK$0.10 each	**500,000,000**	**50,000**	500,000,000	50,000
Issued and fully paid:				
At the beginning of the year	**309,774,319**	**30,977**	302,200,500	30,220
Issue of shares upon exercise of share options	**2,650,000**	**265**	4,200,000	420
Issue of shares upon additional interests in subsidiaries (note 33(d))	**–**	**–**	3,373,819	337
At the end of the year	**312,424,319**	**31,242**	309,774,319	30,977

Notes:

(a) On 28 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.

17 Share capital *(Continued)*

(b) 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 1 August 2006	Granted	Exercised	Cancelled	At 31 July 2007	Vested percentages At 31 July 2007	Vested percentages At 31 July 2006
4 May 2004	HK$2.045							
Directors		3,100,000	–	(500,000)	–	2,600,000	75%	50%
Employees		3,200,000	–	(1,300,000)	(200,000)	1,700,000	75%	50%
		6,300,000	**–**	**(1,800,000)**	**(200,000)**	**4,300,000**		
17 August 2005	HK$2.95							
Directors		2,200,000	–	(550,000)	–	1,650,000	25%	–
Employees		800,000	–	(200,000)	(600,000)	–	25%	–
		3,000,000	**–**	**(750,000)**	**(600,000)**	**1,650,000**		
7 February 2006	HK$4.65							
Employees		**3,700,000**	**–**	**(100,000)**	**–**	**3,600,000**	25%	–
14 March 2006	HK$4.765							
Director		700,000	–	–	–	700,000	25%	–
Employee		2,500,000	–	–	–	2,500,000	25%	–
		3,200,000	**–**	**–**	**–**	**3,200,000**		
15 August 2006	HK$5.40							
Director		**–**	**4,000,000**	**–**	**(4,000,000)**	**–**	N/A	N/A
7 September 2006	HK$5.85							
Director		**–**	**400,000**	**–**	**–**	**400,000**	–	N/A
6 June 2007	HK$5.15							
Employees		**–**	**1,500,000**	**–**	**–**	**1,500,000**	–	N/A
		16,200,000	**5,900,000**	**(2,650,000)**	**(4,800,000)**	**14,650,000**		

17 Share capital *(Continued)*

Details of the vesting dates and expiry dates of the outstanding options granted are as follows:

Date of grant	Tranche	Percentage	Vesting date	Expiry date
4 May 2004	1st	25%	4 May 2005	3 May 2009
	2nd	25%	4 May 2006	
	3rd	25%	4 May 2007	
	4th	25%	4 May 2008	
17 August 2005	1st	25%	17 August 2006	16 August 2010
	2nd	25%	17 August 2007	
	3rd	25%	17 August 2008	
	4th	25%	17 August 2009	
7 February 2006	1st	25%	7 February 2007	6 February 2011
	2nd	25%	7 February 2008	
	3rd	25%	7 February 2009	
	4th	25%	7 February 2010	
14 March 2006	1st	25%	14 March 2007	13 March 2011
	2nd	25%	14 March 2008	
	3rd	25%	14 March 2009	
	4th	25%	14 March 2010	
15 August 2006	1st	25%	5 June 2007	4 July 2016
	2nd	25%	5 June 2008	
	3rd	25%	5 June 2009	
	4th	25%	5 June 2010	
7 September 2006	1st	25%	7 September 2007	6 September 2011
	2nd	25%	7 September 2008	
	3rd	25%	7 September 2009	
	4th	25%	7 September 2010	
6 June 2007	1st	25%	6 June 2008	5 June 2012
	2nd	25%	6 June 2009	
	3rd	25%	6 June 2010	
	4th	25%	6 June 2011	

(c) The weighted average closing price of the shares of the Company immediate before the dates on which the share options were exercised was HK$5.37.

(d) The fair value of options granted during the year determined using the binomial valuation model was HK$18,613,000 (2006: HK$12,343,250). The significant inputs into the model included: share price ranging from HK$5.15 to HK$5.985, standard deviation of expected share price returns of ranging from 40% to 45%, expected life of options ranging from 4.02 to 7.66 years and annual risk-free interest rate ranging from 4.00% to 4.61%. The standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years.

18 Reserves

Group

	Share premium HK$'000	Revaluation reserve HK$'000	Statutory reserves HK$'000	Call options reserve HK$'000	Put options reserve HK$'000	Share-based payment reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2006	258,786	6,637	1,593	5,694	(76,192)	6,425	(3,338)	362,533	562,138
Exchange differences	–	–	–	–	–	–	(3,656)	–	(3,656)
Issue of shares upon exercise of share options	8,327	–	–	–	–	(2,234)	–	–	6,093
Fair value changes arising from business combinations	–	2,265	–	–	–	–	–	–	2,265
Share-based payments	–	–	–	–	–	5,519	–	–	5,519
Profit for the year	–	–	–	–	–	–	–	62,541	62,541
2006 final dividend	–	–	–	–	–	–	–	(36,553)	(36,553)
2007 interim dividend	–	–	–	–	–	–	–	(11,545)	(11,545)
Transfer	–	–	489	–	–	–	–	(489)	–
At 31 July 2007	**267,113**	**8,902**	**2,082**	**5,694**	**(76,192)**	**9,710**	**(6,994)**	**376,487**	**586,802**
Representing:									
Retained profits	–	–	–	–	–	–	–	356,804	356,804
Other reserves	267,113	8,902	2,082	5,694	(76,192)	9,710	(6,994)	–	210,315
2007 proposed dividends	–	–	–	–	–	–	–	19,683	19,683
	267,113	**8,902**	**2,082**	**5,694**	**(76,192)**	**9,710**	**(6,994)**	**376,487**	**586,802**

18 Reserves *(Continued)*

Group *(Continued)*

	Share premium HK$'000	Revaluation reserve HK$'000	Statutory reserves HK$'000	Call options reserve HK$'000	Put options reserve HK$'000	Share-based payment reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2005	237,012	–	930	–	–	4,370	18	300,670	543,000
Exchange differences	–	–	–	–	–	–	(3,356)	–	(3,356)
Issue of shares upon exercise of share options	10,573	–	–	–	–	(2,404)	–	–	8,169
Issue of shares upon acquisition of a subsidiary	11,201	–	–	–	–	–	–	–	11,201
Fair value changes arising from business combinations	–	6,637	–	–	–	–	–	–	6,637
Recognition of put option liabilities arising from business combinations	–	–	–	–	(76,192)	–	–	–	(76,192)
Recognition of derivative financial instruments arising from business combinations	–	–	–	5,694	–	–	–	–	5,694
Share-based payments	–	–	–	–	–	4,459	–	–	4,459
Profit for the year	–	–	–	–	–	–	–	113,259	113,259
2005 final dividend	–	–	–	–	–	–	–	(39,286)	(39,286)
2006 interim dividend	–	–	–	–	–	–	–	(11,447)	(11,447)
Transfer	–	–	663	–	–	–	–	(663)	–
At 31 July 2006	258,786	6,637	1,593	5,694	(76,192)	6,425	(3,338)	362,533	562,138
Representing:									
Retained profits	–	–	–	–	–	–	–	325,980	325,980
Other reserves	258,786	6,637	1,593	5,694	(76,192)	6,425	(3,338)	–	199,605
2006 proposed dividends	–	–	–	–	–	–	–	36,553	36,553
	258,786	6,637	1,593	5,694	(76,192)	6,425	(3,338)	362,533	562,138

18 Reserves *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Call options reserve HK$'000	Put options reserve HK$'000	Share-based payments reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2006	258,786	31,896	5,694	(76,192)	6,425	40,095	266,704
Issue of shares upon exercise of share options	8,327	–	–	–	(4,410)	–	3,917
Share-based payments	–	–	–	–	5,063	–	5,063
Profit for the year	–	–	–	–	–	51,743	51,743
2006 final dividend	–	–	–	–	–	(36,553)	(36,553)
2007 interim dividend	–	–	–	–	–	(11,545)	(11,545)
At 31 July 2007	**267,113**	**31,896**	**5,694**	**(76,192)**	**7,078**	**43,740**	**279,329**
Representing:							
Retained profits	–	–	–	–	–	24,057	24,057
Other reserves	267,113	31,896	5,694	(76,192)	7,078	–	235,589
2007 proposed dividend	–	–	–	–	–	19,683	19,683
	267,113	**31,896**	**5,694**	**(76,192)**	**7,078**	**43,740**	**279,329**
At 1 August 2005	237,012	31,896	–	–	4,370	39,636	312,914
Issue of shares upon exercise of share options	10,573	–	–	–	(2,404)	–	8,169
Issue of shares upon acquisition additional interest of subsidiaries	11,201	–	–	–	–	–	11,201
Recognition of put option liabilities arising from business combinations	–	–	–	(76,192)	–	–	(76,192)
Recognition of derivative financial instruments arising from business combinations	–	–	5,694	–	–	–	5,694
Share-based payments	–	–	–	–	4,459	–	4,459
Profit for the year	–	–	–	–	–	51,192	51,192
2005 final dividend	–	–	–	–	–	(39,286)	(39,286)
2006 interim dividend	–	–	–	–	–	(11,447)	(11,447)
At 31 July 2006	258,786	31,896	5,694	(76,192)	6,425	40,095	266,704
Representing:							
Retained profits	–	–	–	–	–	3,542	3,542
Other reserves	258,786	31,896	5,694	(76,192)	6,425	–	226,609
2006 proposed dividends	–	–	–	–	–	36,553	36,553
	258,786	31,896	5,694	(76,192)	6,425	40,095	266,704

18 Reserves *(Continued)*

Notes:

(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 6 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 31 July 2007, the distributable reserves of the Company available for distribution amounted to HK$12,216,000 (2006: HK$7,918,000).

(c) In accordance with the relevant government regulations and the articles of association of the subsidiaries in the People's Republic of China ("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 financial statements 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.

19 Borrowings

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Deferred consideration payables (note 10(c))	**–**	2,209	**–**	–
Amounts due to minority shareholders (note a)	**1,805**	2,281	**–**	–
Obligations under finance leases (note b)	**1,019**	779	**–**	–
Long-term bank borrowings wholly repayable within five years (note c)	**136,923**	–	**–**	–
	139,747	5,269	**–**	–
Current				
Short-term bank borrowings	**58,555**	163,412	**–**	–
Bank overdrafts	**16,915**	37,704	**–**	104
Deferred consideration payables (note 10(c))	**3,652**	2,663	**–**	–
Obligations under finance leases (note b)	**893**	537	**–**	–
Current portion of long-term bank borrowings (note c)	**43,077**	3,772	**–**	–
	123,092	208,088	**–**	104
	262,839	213,357	**–**	104

19 Borrowings *(Continued)*

Notes:

(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 2007 HK$'000	Group 2006 HK$'000
Within one year	**1,049**	554
In the second year	**724**	609
In the third to fifth year	**393**	208
	2,166	1,371
Future finance charges	**(254)**	(55)
Present value of finance leases	**1,912**	1,316
Representing:		
Current		
Within one year	**893**	537
Non-current		
In the second year	**641**	595
In the third to fifth year	**378**	184
	1,019	779
	1,912	1,316

(c) The Group's borrowings were repayable as follows:

	Group: Bank borrowings and overdrafts		Group: Other borrowings	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Current				
Within one year	**118,547**	204,888	**4,545**	3,200
Non-current				
In the second year	**43,077**	–	**641**	3,349
In the third to fifth year	**93,846**	–	**378**	184
Not wholly repayable within five years	**–**	–	**1,805**	1,736
	136,923	–	**2,824**	5,269
	255,470	204,888	**7,369**	8,469

19 Borrowings *(Continued)*

(d) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates are as follows:

	1 year or less HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 July 2006	208,088	3,533	1,736	213,357
At 31 July 2007	**123,092**	**137,942**	**1,805**	**262,839**

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Hong Kong dollar	**197,181**	105,165	**–**	104
South African rand	**28,398**	67,022	**–**	–
Canadian dollar	**16,990**	15,728	**–**	–
Renminbi	**10,352**	–	**–**	–
New Taiwanese dollar	**5,953**	18,000	**–**	–
US dollar	**1,528**	3,429	**–**	–
Euro	**1,474**	3,080	**–**	–
Others	**963**	933	**–**	–
	262,839	213,357	**–**	104

(f) The effective interest rates of the Group's borrowings at the balance sheet date were as follows:

	2007			2006		
	Hong Kong dollar	**South Africa rand**	**Others**	Hong Kong dollar	South Africa rand	Others
Bank borrowings	**6.50%**	**12.00%**	**6.08%**	5.90%	9.00%	3.62%
Obligations under finance leases	**–**	**12.00%**	**3.50%**	–	10.00%	3.51%

20 Retirement liabilities

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 income statement were as follows:

	2007	2006
	HK$'000	HK$'000
Current service cost	**1,258**	1,661
Interest cost	**271**	292
Expected return on plan assets	**(172)**	(175)
Net actuarial losses recognised	**380**	174
Charge for the year included in staff costs (note 31)	**1,737**	1,952

The actual return on plan assets was HK$132,000 (2006: HK$82,000).

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

	Group	
	2007	2006
	HK$'000	HK$'000
At the beginning of the year	**1,447**	2,320
Exchange differences	**(297)**	175
Charge for the year	**1,737**	1,952
Benefits paid	**(1,847)**	(3,000)
At the end of the year	**1,040**	1,447

21 Deferred income tax (assets)/liabilities

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred income tax assets	**(15,872)**	(11,141)
Deferred income tax liabilities	**4,020**	816
	(11,852)	(10,325)
The amounts shown in the balance sheet include the following:		
Deferred income tax assets to be recovered after more than 12 months	**(14,068)**	(9,613)
Deferred income tax liabilities to be settled after more than 12 months	**3,240**	816

Deferred income tax (assets)/liabilities are calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in the Group operates.

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

	Group	
	2007	2006
	HK$'000	HK$'000
At the beginning of the year	**(10,325)**	(7,168)
Exchange differences	**(314)**	1
Acquisition of subsidiaries (note 33(c))	**1,458**	(382)
Deferred income tax credited to income statement (note 27)	**(2,671)**	(2,776)
At the end of the year	**(11,852)**	(10,325)

21 Deferred income tax (assets)/liabilities *(Continued)*

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

Deferred income tax assets

	Provisions		Tax losses		Others		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At the beginning of the year	**(1,996)**	(1,320)	**(8,929)**	(7,298)	**(216)**	(488)	**(11,141)**	(9,106)
Exchange differences	**(131)**	(1)	**(255)**	(151)	**(6)**	18	**(392)**	(134)
Acquisition of subsidiaries	**–**	(573)	**–**	(19)	**–**	12	**–**	(580)
Charged/(credited) to income statement	**1,280**	(102)	**(5,466)**	(1,461)	**(153)**	242	**(4,339)**	(1,321)
At the end of the year	**(847)**	(1,996)	**(14,650)**	(8,929)	**(375)**	(216)	**(15,872)**	(11,141)

Deferred income tax liabilities

	Accelerated tax depreciation		Revaluation reserve		Others		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At the beginning of the year	**816**	960	**–**	–	**–**	978	**816**	1,938
Exchange differences	**(14)**	(15)	**–**	150	**92**	–	**78**	135
Acquisition of subsidiaries	**–**	313	**–**	(115)	**1,458**	–	**1,458**	198
Charged/(credited) to income statement	**1,073**	(442)	**–**	(35)	**595**	(978)	**1,668**	(1,455)
At the end of the year	**1,875**	816	**–**	–	**2,145**	–	**4,020**	816

(a) 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$90,570,000 (2006: HK$96,743,000) to carry forward against future taxable income.

21 Deferred income tax (assets)/liabilities *(Continued)*

(b) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items has yet to be issued by the State Council.

22 Other non-current liabilities

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Put option liabilities	**81,976**	76,192

In January 2006, the Group entered into an agreement to purchase 52% interest in BALtrans Clover Cargo Holdings (Proprietary) Limited (formerly known as "Clover Cargo Holdings (Proprietary) Limited") ("Clover Cargo"). The acquisition was completed in May 2006.

In April 2006, the Group also entered into option agreements ("Option Agreements") with the other minority shareholders of Clover Cargo and its certain subsidiaries, namely BALtrans Clover Cargo WC (Pty) Ltd (formerly known as "Clover Cargo International (Western Cape) (Proprietary) Limited") and Twala Global Cargo (Proprietary) Limited (collectively the "Minority Shareholders"), in respect of the purchase of the remaining interest in these companies.

Pursuant to the Option Agreements, the Group has written put options to the Minority Shareholders who can put their interests in these companies to the Group from 2009 to 2011 and the Group has been granted call options entitling the Group to purchase in 2012 from the Minority Shareholders the remaining interests in these companies.

The considerations for the put and call options will be settled by cash and promissory notes and is calculated based on the profit after tax for certain years prior to the exercise of the options.

22 Other non-current liabilities *(Continued)*

The put option liabilities as disclosed above represent the present value of the estimated consideration to be payable to the Minority Shareholders. Key assumptions used in present value calculations included:

(i) forecast profit for certain years prior to the exercise of the options;

(ii) gross margin ranging from 13% to 18% per annum;

(iii) discount rate of 4% per annum; and

(iv) expected timing of exercise of the options.

The fair value of the call options has been included as derivative financial instruments as set out in note 13.

23 Trade and other payables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
Third parties	**359,383**	273,504	**–**	–
Jointly controlled entities	**1,541**	260	**–**	–
Associates	**47**	1,332	**–**	–
Related companies	**230**	243	**–**	–
	361,201	275,339	**–**	–
Accrued charges and other payables to third parties	**324,470**	287,576	**6,159**	6,015
	685,671	562,915	**6,159**	6,015

23 Trade and other payables *(Continued)*

Notes:

(a) Trade payables to jointly controlled entities, associates and related companies are unsecured and interest free. Trade payables with related parties have similar terms of payment as third party creditors.

(b) The ageing analysis of trade payables was as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
30 days or below	**293,881**	211,572
31 – 60 days	**34,284**	30,384
61 – 90 days	**7,952**	12,292
Over 90 days	**25,084**	21,091
	361,201	275,339

(c) The carrying amounts of trade and other payables approximate their fair values.

(d) The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**174,897**	195,293	**6,159**	6,015
US dollar	**58,228**	42,019	**–**	–
South African rand	**128,542**	81,325	**–**	–
Great British pound	**99,414**	65,537	**–**	–
Euro	**71,879**	31,338	**–**	–
Renminbi	**66,650**	79,506	**–**	–
Singapore dollar	**21,260**	22,620	**–**	–
Other currencies	**64,801**	45,277	**–**	–
	685,671	562,915	**6,159**	6,015

24 Costs and expenses by nature

	2007 HK$'000	2006 HK$'000
Freight, handling, delivery and other costs of services	**3,756,388**	3,386,059
Staff costs, including Directors' remuneration (note 31)	**482,985**	336,296
Operating lease rental in respect of land and buildings	**58,905**	47,138
Travel and entertainment expenses	**37,214**	32,188
Office expenses	**31,798**	31,352
Sales delegation expenses	**26,914**	22,408
Water, electricity and management fee	**23,189**	18,333
Depreciation charge		
Owned property, plant and equipment	**18,996**	21,737
Leased property, plant and equipment	**2,607**	89
Motor vehicles running expense	**16,651**	9,801
Amortisation charge		
Leasehold land and land use rights	**1,212**	1,372
Other intangible assets	**14,716**	1,630
Legal and professional fee	**12,916**	11,302
Software and office equipment maintenance	**9,041**	6,440
Auditors' remuneration		
Provision for the year	**7,436**	5,649
Under provision in prior years	**1,034**	1,613
Bank charges	**6,311**	3,570
Loss on disposal/write off of property, plant and equipment and leasehold land and land use rights	**711**	270
Provision for impairment of trade receivables	**348**	12,143
Write back of accruals	**–**	(15,827)
Others	**28,000**	19,016
Total cost of services rendered, administrative and other operating expenses	**4,537,372**	3,952,579

25 Other gains, net

	2007 HK$'000	2006 HK$'000
Fair value gain on derivative financial instruments	**10,730**	–
Net increase in put option liabilities	**(5,784)**	–
Net exchange gain	**21,777**	2,137
Compensation on claims (note a)	**–**	10,443
Excess of fair value of net assets acquired over cost of acquisition of a subsidiary	**–**	8,331
Gain on disposal of subsidiaries	**–**	23
Gain on disposal of associates, net (note b)	**454**	11,283
Gain on disposal of jointly controlled entities	**114**	–
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(292)**	9,900
Property letting income	**336**	310
Management fee received from		
A third party	**393**	238
Jointly controlled entities	**788**	728
Associates	**3**	216
Fair value gain on financial assets at fair value through profit or loss	**–**	488
	28,519	44,097

Notes:

(a) Subsequent to the completion of the acquisition of 100% interest of Jardine Logistics Group, certain issues were raised and claims had been filed against the vendor. In January 2006, the Group entered into a settlement deed with the vendor for HK$26,500,000. The compensation was fully settled in cash and credited in part to the income statement except for the portion relating to the compensation for certain specific future expenses which has been deferred and will be applied to offset those expenses as they are incurred.

(b) Included in the net gain on disposal of associates in the prior year, there was a disposal of the Group's 50% interest in Korchina Logistics Holdings Limited ("Korchina Logistics") and 35% interest in Korchina Freight Taiwan Limited to Korchina Holdings Limited, the other shareholder of Korchina Logistics at the consideration of US$4,800,000 with a gain of HK$11,410,000.

26 Finance income and costs

	2007	2006
	HK$'000	HK$'000
Interest income received from:		
Bank deposits	**6,211**	4,336
Associates	**–**	106
	6,211	4,442
Interest expenses on:		
Interest on bank borrowings and overdrafts	**(16,779)**	(4,730)
Interest element of finance leases payable within five years	**(146)**	(50)
	(16,925)	(4,780)
Finance costs, net	**(10,714)**	(338)

27 Income tax expenses

	2007	2006
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**7,898**	6,865
Overseas taxation	**22,204**	13,400
Under provision in prior years	**7,325**	1,476
Deferred income tax (note 21)	**(2,671)**	(2,776)
	34,756	18,965

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 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 Group's share of income tax expenses of jointly controlled entities and associates of HK$307,000 (2006: HK$233,000) and HK$243,000 (2006: HK$408,000) are included in the consolidated income statement as share of profits less losses of jointly controlled entities and associates respectively.

27 Income tax expenses *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Profit before income tax	**112,226**	142,868
Less: Share of profits less losses of jointly controlled entities and associates	**(1,734)**	(5,308)
	110,492	137,560
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**19,336**	24,073
Effect of different tax rates in other countries	**11,774**	234
Income not subject to income tax	**(24,574)**	(13,595)
Expenses not deductible for taxation purposes	**20,984**	10,791
Utilisation of previously unrecognised tax losses	**(2,894)**	(14,317)
Recognition of previously unrecognised temporary differences	**886**	(5,364)
Under provision in prior years	**7,325**	1,476
Others	**1,919**	15,667
Income tax expenses	**34,756**	18,965

28 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$51,743,000 (2006: HK$51,192,000).

29 Dividends

	2007 HK$'000	2006 HK$'000
Interim, paid, of HK3.7 cents (2006: HK3.7 cents) per share	**11,545**	11,447
Final, proposed, of HK6.3 cents (2006: HK11.8 cents) per share	**19,683**	36,553
	31,228	48,000

At a meeting held on 13 November 2007, the Directors proposed a final dividend of HK6.3 cents per share. This proposed final dividend is not reflected as dividends payable in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 July 2008.

30 Earnings per share

	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the Company	**62,541**	113,259
Weighted average number of shares in issue during the year for the purpose of basic earnings per share (thousands)	**311,276**	305,508
Effect of dilutive potential shares in respect of share options deemed to be issued at no consideration (thousands)	**5,376**	5,296
Weighted average number of shares for the purpose of diluted earnings per share (thousands)	**316,652**	310,804
	HK cents	HK cents
Basic	**20.1**	37.1
Diluted	**19.8**	36.4

31 Staff costs, including Directors' remuneration

	2007 HK$'000	2006 HK$'000
Wages and salaries	**453,393**	314,436
Termination benefits	**247**	(34)
Retirement benefits costs (note)		
Defined contribution schemes	**22,089**	15,483
Defined benefit scheme (note 20)	**1,737**	1,952
Share-based payments	**5,519**	4,459
	482,985	336,296

Note:

Defined contribution schemes included forfeited contributions of which HK$2,000 (2006: HK$201,000) was utilised during the year. There was no forfeiture available at 31 July 2007 and 2006 to reduce future contributions.

Contributions totalling HK$2,593,000 (2006: HK$2,444,000) were payable to the retirement benefit schemes at 31 July 2007 and were included under other payables.

32 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each Director is set out below:

	For the year ended 31 July 2007						
Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Share-based payments HK$'000 (note i)	Retirement benefit costs HK$'000	Total HK$'000
Mr. Anthony Siu Wing LAU	–	–	–	–	874	–	874
Mr. Hooi Chong NG	–	1,806	720	–	670	181	3,377
Mr. David Chung Hung WAI	100	–	–	–	140	–	240
Mr. William Hugh Purton BIRD	100	–	–	–	–	–	100
Mr. David Hon To YU	300	–	–	–	–	–	300
Mr. Christopher John David CLARKE*	42	–	–	–	–	–	42
Mr. Cheung Shing NG	100	–	–	–	–	–	100
Mr. Henrik August VON SYDOW*	–	3,831	–	816	–	–	4,647
Mr. Tetsu TOYOFUKU	780	–	–	–	–	–	780
Ms. Miriam Kin Yee LAU	100	–	–	–	–	–	100
	1,522	5,637	720	816	1,684	181	10,560

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

(a) Directors' emoluments *(Continued)*

For the year ended 31 July 2006

Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefit HK$'000	Share-based payments HK$'000 (note i)	Retirement benefit costs HK$'000	Total HK$'000
Mr. Anthony Siu Wing LAU	–	3,426	1,749	–	984	42	6,201
Mr. Hooi Chong NG	–	1,610	887	–	631	137	3,265
Mr. David Chung Hung WAI	–	430	–	–	267	12	709
Mr. William Hugh Purton BIRD	360	–	–	–	–	–	360
Mr. David Hon To YU	300	–	–	–	–	–	300
Mr. Peter James Holland RILEY#	50	–	–	–	–	–	50
Mr. Christopher John David CLARKE	100	–	–	–	–	–	100
Mr. Cheung Shing NG	100	–	–	–	–	–	100
Mr. Henrik August VON SYDOW	–	467	–	258	–	–	725
Mr. Tetsu TOYOFUKU	130	–	–	–	–	–	130
Mr. Naruyuki SADO#	33	–	–	–	–	–	33
Ms. Miriam Kin Yee LAU	–	–	–	–	–	–	–
	1,073	5,933	2,636	258	1,882	191	11,973

\# ceased to be Director during the year ended 31 July 2006

* ceased to be Director during the year ended 31 July 2007

(i) Share-based payments represented the aggregate fair value of the share options granted to the Directors which had been accounted for in the Group's financial statements in accordance with HKFRS 2.

(ii) Ms. Miriam Kin Yee LAU agreed to waive her emoluments of HK$100,000 in the prior year.

32 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 (2006: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three (2006: three) individuals whose emoluments during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries	**5,366**	3,229
Discretionary bonuses	**5,943**	6,282
Retirement benefit costs	**364**	253
Share-based payments	**2,901**	854
	14,574	10,618

Their emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
	2007	2006
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**–**	2
HK$4,500,001 – HK$5,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	**1**	–

During the year, HK$5,037,000 (2006: HK$2,500,000) had been paid by the Group to the Directors or the five highest paid individuals as an inducement fee to join or upon joining the Group. HK$2,920,000 (2006: HK$912,000) had been expensed in the income statement whereas HK$4,573,000 (2006: HK$1,588,000) had been included under prepayment as at 31 July 2007.

33 Notes to the consolidated cash flow statement

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

	2007 HK$'000	2006 HK$'000
Profit before income tax	**112,226**	142,868
Interest expenses	**16,925**	4,780
Interest income	**(6,211)**	(4,442)
Amortisation of other intangible assets	**14,716**	1,630
Amortisation of leasehold land and land use rights	**1,212**	1,372
Depreciation of property, plant and equipment	**21,603**	21,826
Share-based payments	**5,519**	4,459
Excess of fair value of net assets acquired over cost of acquisition of a subsidiary	**–**	(8,331)
Gain on disposal of subsidiaries	**–**	(23)
Gain on disposal of associates, net	**(454)**	(11,283)
Gain on disposal of jointly controlled entities	**(114)**	–
Loss/(gain) on disposal of financial assets at fair value through profit or loss	**292**	(9,900)
Fair value gain on derivative financial instruments	**(10,730)**	–
Net increase in put option liabilities	**5,784**	–
Fair value gain on financial assets at fair value through profit or loss	**–**	(488)
Loss on disposal/write off of property, plant and equipment and leasehold land and land use rights	**711**	270
Share of net profits less losses of jointly controlled entities	**(1,593)**	(1,176)
Share of net profits less losses of associates	**(141)**	(4,132)
Net exchange (gain)/loss	**(21,777)**	525
Operating profit before working capital changes	**137,968**	137,955
(Increase)/decrease in trade and other receivables	**(15,039)**	58,885
Increase/(decrease) in trade and other payables	**14,807**	(32,444)
Decrease in retirement liabilities	**(407)**	(873)
Net cash generated from operations	**137,329**	163,523

33 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	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
At the beginning of the year	**289,763**	267,232	**–**	–	**50,672**	21,999	**170,781**	87,095
Dividends	**–**	–	**48,098**	50,733	**–**	–	**–**	–
Net cash from/(used in) financing activities	**–**	–	**(48,098)**	(50,733)	**(7,022)**	(2,832)	**72,320**	21,315
Minority interests' share of profit	**–**	–	**–**	–	**14,929**	10,644	**–**	–
Disposal of subsidiaries (note 33(e))	**–**	–	**–**	–	**–**	(151)	**–**	–
Capital contribution from minority shareholders	**–**	–	**–**	–	**–**	117	**–**	–
Acquisition of subsidiaries (note 33(c))	**–**	–	**–**	–	**301**	29,518	**–**	62,067
Acquisition of additional interests in subsidiaries	**–**	–	**–**	–	**(633)**	(8,615)	**–**	–
Issue of shares upon exercise of share options#	**8,592**	10,993	**–**	–	**–**	–	**–**	–
Issue of shares upon acquisition of additional interest on subsidiaries	**–**	11,538	**–**	–	**–**	–	**–**	–
Inception of new finance lease	**–**	–	**–**	–	**–**	–	**1,071**	–
Exchange differences	**–**	–	**–**	–	**(1,513)**	(8)	**(1,900)**	304
At the end of the year	**298,355**	289,763	**–**	–	**56,734**	50,672	**242,272**	170,781

\# Upon exercise of share options, an amount of HK$2,234,000 (2006: HK$2,404,000) was transferred from other reserves to share premium.

33 Notes to the consolidated cash flow statement *(Continued)*

(c) Acquisition of subsidiaries

	2007 HK$'000	2006 HK$'000
Fair value of share of net assets acquired:		
Property, plant and equipment (note 7)	**3,742**	17,719
Leasehold land and land use rights (note 8)	**–**	898
Goodwill (note 9)	**10,242**	–
Other intangible assets (note 9)	**43,444**	34,849
Deferred income tax assets (note 21)	**–**	382
Trade and other receivables	**81,276**	183,993
Bank balances and cash	**35,230**	4,166
Trade and other payables	**(107,949)**	(91,834)
Current income tax liabilities	**(1,620)**	(2,748)
Deferred income tax liabilities (note 21)	**(1,458)**	–
Bank overdrafts	**–**	(1,294)
Borrowings (note 33(b))	**–**	(62,067)
Minority interests (note 33(b))	**(301)**	(29,518)
	62,606	54,546
Less: Share of net assets held by the Group	**(2,662)**	(10,215)
	59,944	44,331
Excess of fair value of net assets acquirer over cost of acquisition (note 25)	**–**	(8,331)
Goodwill (note 9)	**101,802**	2,106
Purchase consideration	**161,746**	38,106
Satisfied by:		
Deposits paid	–	3,549
Cash	**161,746**	34,557
	161,746	38,106

33 Notes to the consolidated cash flow statement *(Continued)*

(c) Acquisition of subsidiaries *(Continued)*

Analysis of the net cash used in acquisition of subsidiaries:

	2007	2006
	HK$'000	HK$'000
Cash consideration	**(161,746)**	(34,557)
Bank balances and cash on hand acquired	**35,230**	4,166
Bank overdrafts acquired	**–**	(1,294)
Net cash used in acquisition of subsidiaries	**(126,516)**	(31,685)

(d) Acquisitions of additional interests in subsidiaries

During the year ended 31 July 2007, the considerations of acquisitions of additional interests in subsidiaries were settled by cash of HK$3,807,000.

During the year ended 31 July 2006, the considerations of acquisitions of additional interests in subsidiaries were settled by cash of HK$34,870,000 and by issue of 3,379,819 shares of the Company at HK$3.42 per share.

(e) Disposal of subsidiaries

	2007	2006
	HK$'000	HK$'000
Net assets disposed of:		
Trade and other receivables	**–**	740
Bank balances and cash	**–**	804
Trade and other payables	**–**	(50)
Current income tax liabilities	**–**	(11)
Minority interests (note 33(b))	**–**	(151)
	–	1,332
Gain on disposal	**–**	23
	–	1,355
Satisfied by cash	**–**	1,355

33 Notes to the consolidated cash flow statement *(Continued)*

(e) Disposal of subsidiaries *(Continued)*

Analysis of the net cash from disposal of subsidiaries:

	2007 HK$'000	2006 HK$'000
Cash consideration	–	1,355
Bank balances and cash disposed of	–	(804)
Net cash from disposal of subsidiaries	–	551

(f) Analysis of the balances of cash and cash equivalents

	Group	
	2007 HK$'000	2006 HK$'000
Total bank balances and cash	309,748	333,689
Less: Pledged time deposits	(17,436)	(15,966)
	292,312	317,723
Bank overdrafts (note 19)	(16,915)	(37,704)
Cash and cash equivalents	275,397	280,019

(i) The carrying amounts of total bank balances and cash are denominated in the following currencies:

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Hong Kong dollar	33,703	50,146	1,221	106
US dollar	122,973	71,134	–	–
Euro	32,959	18,115	–	–
Renminbi	29,653	24,500	–	–
Singapore dollar	19,479	10,464	–	–
Swedish Kronor	14,235	115,346	–	–
Other currencies	56,746	43,984	–	–
	309,748	333,689	1,221	106

33 Notes to the consolidated cash flow statement *(Continued)*

(f) Analysis of the balances of cash and cash equivalents *(Continued)*

(ii) The effective interest rate on time deposits was 4.21% (2006: 4.11%) per annum. These deposits have an average maturity of 50 days (2006: 78 days). The bank balances earn interests at floating rates based on daily bank deposits rates.

34 Commitments

(a) Capital commitments

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted but not provided for in relation to		
– investments (note)	**–**	174,869
– plant and equipment	**274**	–
	274	174,869

Note:

In July 2006, the Group entered into agreements to acquire 100% of the share capital of BALtrans Logistics Sweden AB (formerly known as "Gothenburg Shipping Logistics AB") and additional 49.98% of the share capital of BN Holding AG (note 38). Pursuant to the agreements, the Group is committed to pay a total consideration of HK$166,955,000.

(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:

	2007	2006
	HK$'000	HK$'000
Not later than one year	**62,425**	43,716
Later than one year and not later than five years	**60,260**	58,645
Later than five years	**12,752**	15,967
	135,437	118,328

35 Banking facilities

	2007 HK$'000	2006 HK$'000
Banking facilities		
Secured	**170,925**	234,157
Unsecured	**693,716**	349,474
	864,641	583,631
Facilities utilised		
Bank overdrafts	**16,915**	37,704
Short-term bank borrowings	**58,555**	163,412
Long-term bank borrowings	**180,000**	3,772
	255,470	204,888
Guarantees in respect of banking facilities granted to third parties	**102,876**	93,942
	358,346	298,830

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

(i) Fixed deposits of HK$17,436,000 (2006: HK$15,966,000) of the Group.

(ii) First legal charges on leasehold land and buildings held by the Group as at 31 July 2006. The charges were released during the year ended 31 July 2007 (notes 7 and 8).

(iii) Corporate guarantee from the Company.

(iv) A negative pledge by a subsidiary (the negative pledge requires that the subsidiary will not pledge its assets to other parties unless it obtains the approval from the banks).

(v) Second mortgage on two properties owned by minority shareholders of a subsidiary and personal guarantees provided by these minority shareholders of a subsidiary.

(vi) Trade receivables of HK$32,549,000 (2006: HK$76,868,000) of the Group (note 15(f)).

36 Contingent liabilities

Pending lawsuits

As at 31 July 2007, the Group was subject to claims arising in the normal course of business. The Directors are of the opinion that any final claims will be unlikely to be crystallised, will be insignificant or will be covered by insurance compensation. Accordingly no provision has been made for these claims in the financial statements.

37 Related party transactions

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

(a) Sales/(purchases) of services

		2007 HK$'000	2006 HK$'000
(i)	Jointly controlled entities		
	Forwarding income received	**4,972**	3,950
	Forwarding costs paid	**(4,666)**	(1,580)
	Management fee received (Note 25)	**788**	728
(ii)	Associates		
	Forwarding income received	**36,437**	177,986
	Forwarding costs paid	**(9,463)**	(48,619)
	Management fee received (Note 25)	**3**	216
	Loan interest income (Note 26)	**–**	106
(iii)	Other related companies		
	Forwarding income received		
	Related companies of Jardine Asian Holdings Inc ("JAH"), a former substantial shareholder of the Company	**–**	2,942
	Related companies of Mitsui & Co., Ltd ("Mitsui"), a substantial shareholder of the Company	**9,918**	5,196
	Other related companies	**26**	105
	Forwarding costs paid		
	Related companies of JAH	**–**	(1,127)
	Related companies of Mitsui	**(1,505)**	(366)
	Other related companies	**–**	(2)

37 Related party transactions *(Continued)*

(a) Sales/(purchases) of services *(Continued)*

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) Key management compensation

	2007	2006
	HK$'000	HK$'000
Basic salaries	**13,117**	16,364
Discretionary bonuses	**8,078**	11,859
Retirement benefit costs	**866**	820
Share-based payments	**4,752**	3,535
	26,813	32,578

Key management includes directors of the Company and 6 senior management members of the Group.

38 Business combinations

(a) In August 2006, the Group acquired 100% equity interest in BALtrans Logistics Sweden AB (formerly known as "Gothenburg Shipping Logistics AB"), a company principally engaged in the provision of air transportation, customs clearance, warehousing and distributor services, both international and within Sweden, for a total consideration of HK$151,571,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	**151,571**
Fair value of net assets acquired	**(46,917)**
Goodwill	**104,654**

The assets and liabilities arising from the acquisition are as follows:

	Fair value	**Acquirees' carrying amount**
	HK$'000	HK$'000
Property, plant and equipment	1,558	1,558
Trade and other receivables	31,600	31,600
Bank balances and cash	13,861	13,861
Trade and other payables	(35,752)	(35,752)
Current income tax liabilities	(1,620)	(1,620)
Deferred income tax liabilities	(1,458)	(1,458)
Intangible assets	38,728	–
Net assets acquired	46,917	8,189

The acquired business contributed revenues of HK$235,353,000 and net profit of HK$1,655,000 to the Group for the period from acquisition to 31 July 2007.

The goodwill can be attributable to the anticipated high profitability of the business acquired.

38 Business combinations *(Continued)*

(b) In August 2006, the Group acquired an additional 49.98% of the share capital of BN Holding AG, an investment holding company which holds 96% equity interest in BALtrans Logistics (Germany) GmbH (formerly known as BNG Logistics GmbH), a company principally engaged in the provision of international freight forwarding agency services in Germany, for a total consideration of HK$10,175,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	**10,175**
Fair value of net assets acquired	**(2,785)**
Goodwill	**7,390**

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	**Acquirees' carrying amount** HK$'000
Property, plant and equipment	2,184	2,184
Trade and other receivables	49,676	49,676
Bank balances and cash	21,369	21,369
Trade and other payables	(72,197)	(72,197)
Intangible assets	4,716	–
	5,748	1,032
Minority interests	(301)	–
Interest originally held by the Group as investment in an associate	(2,662)	–
Net assets acquired (excluding goodwill)	2,785	1,032

The acquired business contributed revenues of HK$396,995,000 and net profit of HK$17,121,000 to the Group for the period from acquisition to 31 July 2007.

The goodwill can be attributable to the anticipated high profitability of the business acquired.

39 Principal subsidiaries, jointly controlled entities and associates

At 31 July 2007, the Company had the following principal subsidiaries, jointly controlled entities and associates which, in the opinion of the Directors, materially affect the results and/or the assets of the Group.

(a) Subsidiaries

At 31 July 2007, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2007	2006
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 Clover Cargo Holdings (Proprietary) Limited (formerly known as "Clover Cargo Holdings (Proprietary) Limited")	South Africa	Investment holding	ZAR200,000 ordinary shares	**62%**	62%
BALtrans Clover Cargo Investments (Proprietary) Limited (formerly known as "Clover Cargo Investments (Proprietary) Limited")	South Africa	Investment holding	ZAR1,000 ordinary shares	**62%**	62%

39 Principal subsidiaries, jointly controlled entities and associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2007	2006
Held indirectly: *(Continued)*					
BALtrans Clover Cargo (Proprietary) Limited (formerly known as "Clover Cargo International (Proprietary) Limited")	South Africa	Freight forwarding	ZAR200 ordinary shares	**62%**	62%
BALtrans Exhibition & Removal Limited	Hong Kong	Investment holding and exhibition forwarding services	HK$1,000,000 ordinary shares	**60%**	60%
BALtrans International Moving Limited	Hong Kong	Household removal services	HK$500,000 ordinary shares	**70%**	70%
BALtrans Logistics (Canada) Limited	Canada	Freight forwarding	CAD100	**70%**	70%
BALtrans Logistics (France) SAS	France	Freight forwarding	EUR500,000 ordinary shares	**100%**	–
BALtrans Logistics (Germany) GmbH (formerly known as "BNG Logistics GmbH")	Germany	Freight forwarding	EUR500,000 ordinary shares	**100%**	48%
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	INR15,000,000 ordinary shares	**100%**	74%

39 Principal subsidiaries, jointly controlled entities and associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2007	2006
Held indirectly: *(Continued)*					
BALtrans Logistics (Malaysia) Sdn. Bhd.	Malaysia	Freight forwarding	MYR600,000 ordinary shares	**100%**	100%
BALtrans Logistics (Netherlands) B.V.	Netherlands	Freight forwarding	EUR18,000 ordinary shares	**100%**	100%
# BALtrans Logistics (Shanghai) Limited (formerly known as "Shanghai JLS Logistics Limited")	PRC	Freight forwarding	USD200,000	**100%**	100%
# BALtrans Logistics (Shenzhen) Limited	PRC	Freight forwarding	HK$7,500,000	**100%**	100%
BALtrans Logistics (Taiwan) Limited	Taiwan	Freight forwarding	NTD12,500,000 ordinary shares	**100%**	100%
BALtrans Logistics (Thailand) Co., Limited	Thailand	Freight forwarding	THB5,000,000 ordinary shares	**100%**	100%
BALtrans Logistics (UAE) LLC (formerly known as "Outlook Logistics LLC")	Dubai	Freight forwarding	AED300,000 ordinary shares	**100%**	100%
# BALtrans Logistics Company Limited (formerly known as "Jardine-CCTA Logistics Services Limited")	PRC	Freight forwarding	US$1,400,000	**100%**	100%

39 Principal subsidiaries, jointly controlled entities and associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2007	2006
Held indirectly: *(Continued)*					
BALtrans Logistics Inc.	United States of America	Freight forwarding	US$1,000 common shares	**100%**	100%
BALtrans Logistics International Cooperatief U.A.	Netherlands	Investment holding	EUR10,000 ordinary shares	**100%**	100%
BALtrans Logistics Lanka (Private) Limited	Sri Lanka	Freight forwarding	LKR3,177,920 ordinary shares	**83.7%**	83.7%
BALtrans Logistics Limited	Hong Kong	Investment holding	HK$5,000,000 ordinary shares	**100%**	100%
BALtrans Logistics Pte. Limited	Singapore	Freight forwarding	SGD250,000 ordinary shares	**100%**	100%
BALtrans Logistics Sweden AB (formerly known as "Gothenburg Shipping Logistics AB")	Sweden	Investment holding and freight forwarding	SEK6,000,000 ordinary shares	**100%**	–
BALtrans Logistics UK Limited (formerly known as "JLS Logistics UK Limited")	United Kingdom	Freight forwarding	GBP30,000 ordinary shares	**100%**	100%
Dynamic Logistics (Hong Kong) Limited	Hong Kong	Freight forwarding	HK$500,000 ordinary shares	**100%**	100%
Exhibitstrans Logistics Limited	Hong Kong	Exhibition forwarding services	HK$500,000 ordinary shares	**60%**	60%

39 Principal subsidiaries, jointly controlled entities and associates *(Continued)*

(a) Subsidiaries *(Continued)*

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2007	2006
Held indirectly: *(Continued)*					
# Guangdong Supreme International Forwarding Agency Company Limited	PRC	Freight forwarding	RMB8,000,000	**94%**	94%
(1) Helu-Trans (S) Private Limited	Singapore	Exhibition forwarding services	SGD250,000 ordinary shares	**60%**	60%
(2) Muragawa Logistics Limited	Hong Kong	Freight forwarding	HK$1,500,000 ordinary shares	**75.2%**	75.2%
PT BALtrans Logistics Indonesia	Indonesia	Freight forwarding	IDR1,550,000,000 ordinary shares	**100%**	100%
Supreme Airfreight Company Limited	Hong Kong	Investment holding and freight forwarding	HK$1,500,000 ordinary shares	**94%**	94%
Supreme Freight Consolidators (Ocean) Limited	Hong Kong	Freight forwarding	HK$200,000 ordinary shares	**94%**	94%
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%

Wholly foreign owned enterprise

Notes:

(1) Disposed of subsequent to 31 July 2007 at a consideration of HK$1,420,000, resulting in a loss of HK$1,390,000

(2) Attributable equity interest increased to 94% subsequent to 31 July 2007

39 Principal subsidiaries, jointly controlled entities and associates

(Continued)

(b) Jointly controlled entities

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held	
				2007	2006
Held indirectly:					
Shenzhen Yantian Port Logistics Services Company Ltd	PRC	Freight forwarding	RMB10,000,000	**30%**	30%
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%

(c) Associates

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest	
				2007	2006
Held indirectly:					
BALtrans Clover Cargo WC (Pty) Ltd (formerly known as "Clover Cargo International (Western Cape) (Proprietary) Limited")	South Africa	Freight forwarding	ZAR300 ordinary shares	**37%**	37%
Twala Global Cargo (Proprietary) Limited	South Africa	Freight forwarding	ZAR1,000 ordinary shares	**23%**	23%
Higgins Global Logistics (Proprietary) Ltd	South Africa	Freight forwarding agency	ZAR100 ordinary shares	**31%**	–

40 Major subsequent event

On 24 September 2007, the Group entered into a provisional agreement with a third party, Wellfield Trading Ltd, to sell the property at 8/F, Tower A, New Mandarin Plaza, Tsim Sha Tsui East, Kowloon, Hong Kong for a consideration of HK$107,200,000, resulting in an estimated gain of approximately HK$69,000,000 upon completion.

BALtrans Logistics Network 保昌物流環球網絡

BALtrans Offices

Agents

BALtrans Logistics Network 保昌物流環球網絡