Notes to the Financial Statements

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 (representing trucking and warehousing services).

The Company is a limited liability company incorporated in Bermuda and its registered office is Clarendon House, 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 23 November 2006.

2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and interpretations ("HKAS-Int") (collectively the "new 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 and are carried at fair value. In the year ended 31 July 2005, the Group early adopted HKFRS 3 "Business combinations", HKAS 36 "Impairment of assets" and HKAS 38 "Intangible assets". With effect from 1 August 2005, the Group adopted all the remaining new and revised HKFRSs that are currently in issue and effective for the accounting periods commencing on or after 1 January 2005. Details are set out in note 3(a) below.

The preparation of financial statements in conformity with HKFRS 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 estimates are significant to the financial statements, are disclosed in note 5.

3 Principal accounting policies

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

(a) Changes in principal accounting policies

During the year, the Group has adopted the new HKFRSs listed below, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

In summary:

(i) HKASs 7, 8, 10, 23, 27, 28, 31, 33, 37, HKAS-Int 15 and HKFRS 5 had no material effect on the Group's accounting policies.

(ii) HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

(iii) HKAS 24 has affected the identification of related parties and some other related party disclosures.

3 Principal accounting policies *(Continued)*

(a) Changes in principal accounting policies *(Continued)*

The major changes in the Group's principal accounting policies or the presentation of financial statements as a result of the adoption of the new HKFRSs are summarised below:

(i) HKAS 1

The adoption of HKAS 1 has mainly resulted in the following presentation change in the Group's financial statements:

(1) minority interests are now required to be shown within the Group's equity. In the income statement, minority interests are presented as an allocation of the total profit or loss for the year; and

(2) the Group's share of profits less losses of jointly controlled entities and associates are required to be presented net of income taxes in the income statement.

(ii) HKAS 16

In prior years, buildings were stated at valuation. Increases in valuation were credited to the revaluation reserve. Decreases in valuation were first offset against increases on earlier valuations in respect of the same property and were thereafter charged to operating profit. Any subsequent increases were credited to operating profit up to the amount previously charged. Deferred income tax was provided on temporary difference arising from revaluation on buildings.

The Group has opted for the cost model in respect of its accounting policy on buildings upon the adoption of HKAS 16 and the building are now carried at cost less accumulated depreciation and any accumulated impairment losses.

This change in accounting policy has been applied retrospectively so that the comparative figures have been restated to conform with the changed policy.

The residual values and useful lives of property, plant and equipment are now required to be reviewed and adjusted, if appropriate, at least at each balance sheet date. The Directors have reviewed the residual values and useful lives of property, plant and equipment and do not consider that there are any significant changes from the previous estimates.

3 Principal accounting policies *(Continued)*

(a) Changes in principal accounting policies *(Continued)*

(iii) HKAS 17

In prior years, the leasehold land and land use rights were stated at valuation less accumulated amortisation and any accumulated impairment losses.

The adoption of revised HKAS 17 has resulted in a change in accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases and the leasehold land and land use rights are now carried at cost less accumulated amortisation and any accumulated impairment losses. The up-front 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 lease or when there is impairment, the impairment is expensed in the income statement.

This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy.

(iv) HKASs 32, 39 and 39 Amendment

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value. HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

In prior years, the Group classified its short-term investments, other than subsidiaries, jointly controlled entities and associates as other investments. Other investments held for non-trading purpose were stated at fair value at the balance sheet date. Changes in fair value of individual investment were dealt with as a movement in the income statement.

The adoption of HKASs 32 and 39 has no impact to the opening equity as at 1 August 2005 except for the redesignation of other investments as financial assets at fair value through profit or loss.

(v) HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments.

The Group operates an equity-settled, share-based compensation plan. Until 31 July 2005, the Group did not account for the expenses in respect of share options granted by the Company to the Group's Directors and employees. With effect from 1 August 2005, the cost of share options is recognised in the income statement. Such change in accounting policy has been applied retrospectively and the comparative figures have been restated accordingly.

3 Principal accounting policies *(Continued)*

(b) Summary of effects on adopting the new HKFRSs

(i) Consolidated income statement

	As previously reported	Effect on adopting HKAS 1	HKAS 16	HKAS 17	HKFRS 2	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 July 2005						
Turnover	3,706,310	–	–	–	–	3,706,310
Cost of services rendered	(3,089,851)	–	–	–	–	(3,089,851)
Gross profit	616,459	–	–	–	–	616,459
Other gains	2,862	8,372	–	–	–	11,234
Administrative and other operating expenses	(512,705)	(8,372)	1,567	(1,327)	(3,344)	(524,181)
Write back of deficit on revaluation of leasehold land and buildings	24,602	–	(24,602)	–	–	–
Operating profit	131,218	–	(23,035)	(1,327)	(3,344)	103,512
Finance costs	(3,359)	–	–	–	–	(3,359)
Share of profit less losses of						
Jointly controlled entities	(2,451)	(408)	–	–	–	(2,859)
Associates	9,404	(1,850)	–	–	–	7,554
Profit before income tax	134,812	(2,258)	(23,035)	(1,327)	(3,344)	104,848
Income tax expenses	(15,220)	2,258	–	–	–	(12,962)
Profit for the year	119,592	–	(23,035)	(1,327)	(3,344)	91,886
Attributable to:						
Equity holders of the Company	110,987	–	(23,035)	(1,327)	(3,344)	83,281
Minority interests	8,605	–	–	–	–	8,605
	119,592	–	(23,035)	(1,327)	(3,344)	91,886
Earning per share						
Basic (HK cents)	36.8	–	(7.6)	(0.4)	(1.2)	27.6
Diluted (HK cents)	36.3	–	(7.5)	(0.4)	(1.1)	27.3

3 Principal accounting policies *(Continued)*

(b) Summary of effects on adopting the new HKFRSs *(Continued)*

(i) Consolidated income statement (Continued)

	Effect on adopting					
	HKAS 1	HKAS 16	HKAS 17	HKASs 32 and 39	HKFRS 2	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 July 2006						
Turnover	–	–	–	–	–	–
Cost of services rendered	–	–	–	–	–	–
Gross profit	–	–	–	–	–	–
Other gains	–	–	–	488	–	488
Administrative and other operating expenses	–	1,610	(1,372)	–	(4,459)	(4,221)
Operating profit	–	1,610	(1,372)	488	(4,459)	(3,733)
Finance costs	–	–	–	–	–	–
Share of profit less losses of						
Jointly controlled entities	(233)	–	–	–	–	(233)
Associates	(408)	–	–	–	–	(408)
Profit before income tax	(641)	1,610	(1,372)	488	(4,459)	(4,374)
Income tax expenses	641	–	–	–	–	641
Profit for the year	–	1,610	(1,372)	488	(4,459)	(3,733)
Attributable to:						
Equity holders of the Company	–	1,610	(1,372)	488	(4,459)	(3,733)
Minority interests	–	–	–	–	–	–
	–	1,610	(1,372)	488	(4,459)	(3,733)
Earning per share						
Basic (HK cents)	–	0.50	(0.40)	0.20	(1.50)	(1.20)
Diluted (HK cents)	–	0.50	(0.40)	0.20	(1.50)	(1.20)

3 Principal accounting policies *(Continued)*

(b) Summary of effects on adopting the new HKFRSs *(Continued)*

(ii) Consolidated balance sheet

	Effect on adopting				
	HKAS 16	HKAS 17	HKASs 32 and 39	HKFRS 2	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Increase/(decrease) in net assets					
At 31 July 2005					
Property, plant and equipment	(74,600)	(68,445)	–	–	(143,045)
Leasehold land and land use rights	–	55,923	–	–	55,923
Financial assets at fair value through profit or loss	–	–	1,565	–	1,565
Other investments	–	–	(1,565)	–	(1,565)
Deferred income tax liabilities	13,875	–	–	–	13,875
	(60,725)	(12,522)	–	–	(73,247)
Retained profits	4,682	(12,522)	–	(4,370)	(12,210)
Other reserves	(65,407)	–	–	4,370	(61,037)
Equity	(60,725)	(12,522)	–	–	(73,247)
At 31 July 2006					
Property, plant and equipment	(72,990)	(67,634)	–	–	(140,624)
Leasehold land and land use rights	–	53,740	–	–	53,740
Derivative financial instruments	–	–	6,034	–	6,034
Financial assets at fair value through profit or loss	–	–	4,397	–	4,397
Other investments	–	–	(3,909)	–	(3,909)
Deferred income tax liabilities	13,875	–	–	–	13,875
Other non-current liabilities	–	–	(76,192)	–	(76,192)
	(59,115)	(13,894)	(69,670)	–	(142,679)
Retained profits	6,292	(13,894)	488	(8,829)	(15,943)
Other reserves	(65,407)	–	(70,158)	8,829	(126,736)
Equity	(59,115)	(13,894)	(69,670)	–	(142,679)

3 Principal accounting policies *(Continued)*

(c) Standards, interpretations and amendments to be published that are not yet effective

Certain new standards, interpretations and amendments to be published that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted are as follows:

Effective to the Group for the year ending 31 July 2007

HKAS 19 Amendment	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 Amendment and HKFRS 4	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial guarantee contracts
HKFRS 1 and 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

Effective to the Group for the year ending 31 July 2008

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The Group has already commenced an assessment of the impact of these new standards, interpretations and amendments to the Group but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3 Principal accounting policies *(Continued)*

(d) 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.

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 a jointly controlled entity or associate equals or exceeds its interest in the jointly controlled entity or associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity or 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.

3 Principal accounting policies *(Continued)*

(d) Group accounting *(Continued)*

(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.

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.

(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.

(e) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity and 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 including agency network, customer base and relationship and licence 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 6 to 10 years. Other intangible assets are reviewed for impairment whenever there is impairment indication.

3 Principal accounting policies *(Continued)*

(f) 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.

(g) Assets under leases

(i) Finance leases

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

(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.

3 Principal accounting policies *(Continued)*

(h) 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 lease or the rights or when there is impairment, the impairment is expensed in the income statement.

(i) 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.

(j) 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 trade 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.

(k) 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.

3 Principal accounting policies *(Continued)*

(k) Investments *(Continued)*

(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 cost 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.

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.

3 Principal accounting policies *(Continued)*

(l) 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 22. 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, if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

(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.

(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.

(m) Cash and cash equivalents

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

(n) 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.

3 Principal accounting policies *(Continued)*

(o) 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.

(p) 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 12 months after the balance sheet date.

(q) 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.

(r) 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.

3 Principal accounting policies *(Continued)*

(s) 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, except when deferred in equity as qualifying cash flow hedges.

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.

(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.

3 Principal accounting policies *(Continued)*

(t) 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 time of transfer of goods to the customers at the designated locations for inward freight.

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

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

(iv) Revenue from the letting of property is recognised on a straight-line basis over the period of the lease.

(v) Interest income is recognised on a time proportion basis 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.

(u) 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.

3 Principal accounting policies *(Continued)*

(u) Employee benefits *(Continued)*

(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.

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.

(v) 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.

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.

3 Principal accounting policies *(Continued)*

(w) Borrowing costs

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

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period when the dividends become obligations of the Company.

(y) Segment reporting

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

The analysis of turnover by geographical segments is based on the following criteria:

(i) Revenues from the rendering of freight forwarding services are attributed to the origin of invoicing.

(ii) Revenues from other services are attributed on the basis of where the services are performed.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, trade and other receivables, other investments, 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 receivable 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 payable and deferred income tax liabilities. Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

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. The 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) 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.

4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(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.

(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.

(i) 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.

(ii) 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 profit 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.

(iii) 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.

(iv) Share-based payments

The fair value of options granted is estimated by independent professional valuers 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.

5 Critical accounting estimates and judgements *(Continued)*

(v) 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 Turnover and segment information

	2006 HK$'000	2005 HK$'000 (Restated)
Turnover		
Revenue from rendering freight forwarding services		
Air freight	**2,392,198**	2,197,372
Sea freight	**1,344,053**	1,286,781
Exhibition forwarding and household removal services	**129,961**	133,434
Third party logistics	**180,168**	88,723
	4,046,380	3,706,310

(a) Primary reporting format – geographical segments

The Group is organised into the following geographical segments:

(i) Greater China;

(ii) North America;

(iii) Southeast Asia; and

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

6 Turnover and segment information *(Continued)*

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

	As at or for the year ended 31 July 2006					
	Greater China HK$'000	North America HK$'000	Southeast Asia HK$'000	EMEA HK$'000	Elimination HK$'000	Group HK$'000
Turnover						
External	2,506,311	611,140	338,984	589,945	–	4,046,380
Inter-segment	428,493	107,882	48,038	68,577	(652,990)	–
Total	2,934,804	719,022	387,022	658,522	(652,990)	4,046,380
Segment results	91,330	21,440	14,493	15,077	–	142,340
Finance costs	(2,109)	(824)	(102)	(1,745)	–	(4,780)
Share of profits less losses of						
Jointly controlled entities	1,176	–	–	–	–	1,176
Associates	777	173	402	2,780	–	4,132
Profit before income tax						142,868
Income tax expenses						(18,965)
Profit for the year						123,903
Segment assets	882,887	130,309	110,477	377,461	–	1,501,134
Jointly controlled entities	6,581	–	–	–	–	6,581
Associates	1,909	522	930	397	–	3,758
Unallocated assets						13,849
Total assets						1,525,322
Segment liabilities	438,774	43,668	42,911	328,558	–	853,911
Unallocated liabilities						27,624
Total liabilities						881,535
Capital expenditure for						
Property, plant and equipment	17,408	397	1,679	3,569	–	23,053
Intangible assets	27,005	–	2,275	46,056	–	75,336
Depreciation charge	16,096	833	2,848	2,049	–	21,826
Amortisation charge						
Leasehold land and land use rights	1,372	–	–	–	–	1,372
Other intangible assets	431	–	64	1,135	–	1,630

6 Turnover and segment information *(Continued)*

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

	As at or for the year ended 31 July 2005 (Restated)					
	Greater China HK$'000	North America HK$'000	Southeast Asia HK$'000	EMEA HK$'000	Elimination HK$'000	Group HK$'000
Turnover						
External	2,332,860	726,360	305,823	341,267	–	3,706,310
Inter-segment	404,617	83,146	26,706	35,036	(549,505)	–
Total	2,737,477	809,506	332,529	376,303	(549,505)	3,706,310
Segment results	66,609	24,822	8,145	3,936	–	103,512
Finance costs	(2,671)	(344)	(197)	(147)	–	(3,359)
Share of profits less losses of						
Jointly controlled entities	(2,859)	–	–	–	–	(2,859)
Associates	7,823	34	763	(1,066)	–	7,554
Profit before income tax						104,848
Income tax expenses						(12,962)
Profit for the year						91,886
Segment assets	860,648	165,580	89,256	85,983	–	1,201,467
Jointly controlled entities	3,461	–	–	–	–	3,461
Associates	29,516	798	3,360	(2,531)	–	31,143
Unallocated assets						9,997
Total assets						1,246,068
Segment liabilities	482,714	33,788	35,150	80,887	–	632,539
Unallocated liabilities						18,310
Total liabilities						650,849
Capital expenditure for						
Property, plant and equipment	21,193	1,138	2,182	573	–	25,086
Intangible assets	22,715	–	–	–	–	22,715
Depreciation charge	13,722	896	2,949	1,374	–	18,941
Amortisation charge						
Leasehold land and land use rights	1,327	–	–	–	–	1,327
Other intangible assets	178	–	–	–	–	178

6 Turnover and segment information *(Continued)*

(b) Secondary reporting format – business segments

	As at or 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**	**64,058**	**653,664**	**50,972**
Sea freight	**1,344,053**	**31,780**	**428,646**	**40,008**
Exhibition forwarding and household removal services	**129,961**	**15,365**	**61,813**	**1,993**
Third party logistics	**180,168**	**9,954**	**43,241**	**5,416**
	4,046,380	**121,157**	**1,187,364**	**98,389**
Jointly controlled entities	**–**	**–**	**6,581**	**–**
Associates	**–**	**–**	**3,758**	**–**
Unallocated[1]	**–**	**21,183**	**327,619**	**–**
Total	**4,046,380**	**142,340**	**1,525,322**	**98,389**

	As at or for the year ended 31 July 2005 (Restated)			
	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Air freight	2,197,372	61,739	466,480	23,820
Sea freight	1,286,781	24,855	344,340	16,087
Exhibition forwarding and household removal services	133,434	15,435	71,429	928
Third party logistics	88,723	1,483	82,070	6,966
	3,706,310	103,512	964,319	47,801
Jointly controlled entities	–	–	3,461	–
Associates	–	–	31,143	–
Unallocated[1]	–	–	247,145	–
Total	3,706,310	103,512	1,246,068	47,801

[1] Unallocated segment results mainly comprise gains on disposal of associates and financial assets at fair value through profit or loss.

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

7 Other gains

	2006 HK$'000	2005 HK$'000 (Restated)
Compensation on claims (note a)	**10,443**	–
Excess of fair value of net assets acquired over cost of acquisition of a subsidiary (note 39 (a))	**8,331**	–
Gain on disposal of subsidiaries	**23**	8,228
Gain on disposal of associates, net (note b)	**11,283**	–
Gain on disposal of financial assets at fair value through profit or loss	**9,900**	–
Property letting income	**310**	338
Interest income received from		
Bank	**4,336**	1,454
Associates	**106**	74
Management fee received from		
A third party	**204**	–
Associates	**978**	996
Net exchange gain	**2,137**	144
Fair value gain on financial assets at fair value through profit or loss	**488**	–
	48,539	11,234

Notes:

(a) Subsequent to the completion of the acquisition of 100% interest of Jardine Logistics Group, certain issues were raised and claims have 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) In August 2005, the Group disposed of its 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. The aggregate consideration of US$4,800,000 (approximately HK$37,440,000) was settled in cash on 25 August 2005 and resulted in a gain of HK$11,410,000.

8 Operating profit

Operating profit is stated after charging the following:

	2006 HK$'000	2005 HK$'000 (Restated)
Amortisation charge		
Leasehold land and land use rights	**1,372**	1,327
Other intangible assets	**1,630**	178
Depreciation charge		
Owned property, plant and equipment	**21,737**	18,750
Leased property, plant and equipment	**89**	191
Loss on disposal of other investments	**–**	173
Loss on disposal of property, plant and equipment and leasehold land and land use rights	**270**	45
Operating lease rental in respect of land and buildings	**47,138**	48,641
Provision for impairment of trade receivables	**12,143**	15,420
Staff costs, including Directors' remuneration (note 14)	**336,296**	300,522
Auditors' remuneration		
Provision for the year	**5,649**	4,029
Under provision in prior years	**1,613**	612

9 Finance costs

	2006 HK$'000	2005 HK$'000
Interest on bank borrowings and overdrafts	**4,730**	3,274
Interest element of finance leases payable within five years	**50**	85
	4,780	3,359

10 Income tax expenses

	2006 HK$'000	2005 HK$'000 (Restated)
Current income tax		
Hong Kong profits tax	**6,865**	4,676
Overseas taxation	**13,400**	8,948
Under/(over) provision in prior years	**1,476**	(1,135)
Deferred income tax (note 31)	**(2,776)**	473
	18,965	12,962

Hong Kong profits tax has been provided for at the rate of 17.5% (2005: 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 shares of income tax expenses of jointly controlled entities and associates of HK$233,000 (2005: HK$408,000) and HK$408,000 (2005: HK$1,850,000) are included in the income statement as share of profits less losses of jointly controlled entities and associates respectively.

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:

	2006 HK$'000	2005 HK$'000 (Restated)
Profit before income tax	**142,868**	104,848
Less: Share of profits less losses of jointly controlled entities and associates	**(5,308)**	(4,695)
	137,560	100,153
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**24,073**	17,527
Effect of different tax rates in other countries	**234**	(4,586)
Income not subject to income tax	**(13,595)**	(17,091)
Expenses not deductible for taxation purposes	**10,791**	12,471
Utilisation of previously unrecognised tax losses	**(14,317)**	(2,284)
Recognition of previously unrecognised temporary differences	**(5,364)**	(5,031)
Under/(over) provision in prior years	**1,476**	(1,135)
Others	**15,667**	13,091
Income tax expenses	**18,965**	12,962

11 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$51,192,000 (2005: HK$50,236,000, as restated).

12 Dividends

	2006 HK$'000	2005 HK$'000
Interim, paid, of HK3.7 cents (2005: HK3.3 cents) per share	**11,447**	9,950
Final, proposed, of HK11.8 cents (2005: HK11.0 cents) per share	**36,553**	33,242
Special, proposed, of nil (2005: HK2.0 cents) per share	**–**	6,044
	48,000	49,236

At a meeting held on 23 November 2006, the Directors proposed a final dividend of HK11.8 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 2007.

13 Earnings per share

	2006 HK$'000	2005 HK$'000 (Restated)
Profit attributable to equity holders of the Company	**113,259**	83,281
Weighted average number of shares in issue during the year for the purpose of basic earnings per share (thousands)	**305,508**	301,606
Effect of dilutive potential shares in respect of share options deemed to be issued at no consideration (thousands)	**5,296**	3,863
Weighted average number of shares for the purpose of diluted earnings per share (thousands)	**310,804**	305,469
	HK cents	HK cents (Restated)
Basic earnings per share	**37.1**	27.6
Diluted earning per share	**36.4**	27.3

14 Staff costs, including Directors' remuneration

	2006 HK$'000	2005 HK$'000 (Restated)
Wages and salaries	**314,436**	281,330
Termination benefits	**(34)**	3,072
Retirement benefits costs (note)		
Defined contribution schemes	**15,483**	11,456
Defined benefit scheme (note 30)	**1,952**	1,320
Share-based payments	**4,459**	3,344
	336,296	300,522

Note:

Defined contribution schemes included forfeited contributions of which HK$201,000 (2005: HK$232,000) was utilised during the year. There was no forfeiture available at 31 July 2006 to reduce future contributions (2005: Nil).

Contributions totalling HK$2,444,000 (2005: HK$3,688,000) were payable to the retirement benefit schemes at 31 July 2006 and were included under other payables.

15 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each Director is set out below:

	For the year ended 31 July 2006						
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	–	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

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

(a) Directors' emoluments *(Continued)*

	For the year ended 31 July 2005 (Restated)					
Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Share-based payments HK$'000 (note i)	Retirement benefit costs HK$'000	Total HK$'000
Mr. Anthony Siu Wing LAU	–	3,252	1,591	514	31	5,388
Mr. Hooi Chong NG	–	1,485	1,078	309	12	2,884
Mr. David Chung Hung WAI	–	1,170	398	514	1	2,083
Mr. William Hugh Purton BIRD	–	360	–	–	–	360
Mr. David Hon To YU	150	–	–	–	–	150
Mr. Peter James Holland RILEY	100	–	–	–	–	100
Mr. Christopher John David CLARKE	100	–	–	–	–	100
Mr. Cheung Shing NG	100	–	–	–	–	100
Ms. Miriam Kin Yee LAU	–	–	–	–	–	–
	450	6,267	3,067	1,337	44	11,165

(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 pursuant to the transitional provisions of HKFRS 2 (note 3(a)).

(ii) During the current and prior years, Ms. Miriam Kin Yee LAU agreed to waive her emoluments.

15 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 (2005: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three (2005: three) individuals whose emoluments during the year are as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Basic salaries	**3,229**	3,673
Discretionary bonuses	**6,282**	3,909
Retirement benefit costs	**253**	367
Share-based payments	**854**	412
	10,618	8,361

Their emoluments fell within the following bands:

Emolument bands	**Number of individuals** **2006**	2005
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**1**	2
HK$3,000,001 – HK$3,500,000	**–**	–
HK$3,500,001 – HK$4,000,000	**2**	–

(c) During the year, HK$5,000,000 (2005: Nil) 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$3,179,000 (2005: Nil) had been expensed in the income statement whereas HK$1,821,000 (2005: Nil) had been included under prepayment as at 31 July 2006.

Notes to the Financial Statements

16 Property, plant and equipment

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 31 July 2004, as restated	71,251	49,036	36,502	15,051	45,806	217,646
Exchange differences	25	440	189	(38)	(65)	551
Acquisition of subsidiaries	–	828	1,184	1,277	3,502	6,791
Transfer	–	–	(3,789)	–	3,789	–
Additions	–	5,634	5,226	2,431	11,795	25,086
Disposals	–	(4,825)	(3,622)	(3,010)	(15,092)	(26,549)
At 31 July 2005, as restated	71,276	51,113	35,690	15,711	49,735	223,525
Accumulated depreciation and impairment						
At 31 July 2004, as restated	15,281	37,067	25,043	9,845	38,878	126,114
Exchange differences	1	185	97	(64)	(43)	176
Acquisition of subsidiaries	–	453	707	598	2,007	3,765
Transfer	–	–	(2,175)	–	2,175	–
Depreciation charge	1,520	5,836	4,017	1,751	5,817	18,941
Disposals	–	(4,711)	(2,729)	(1,995)	(14,356)	(23,791)
At 31 July 2005, as restated	16,802	38,830	24,960	10,135	34,478	125,205
Net book value						
At 31 July 2005, as restated	54,474	12,283	10,730	5,576	15,257	98,320
Cost						
At 31 July 2005, as restated	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	(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 31 July 2005, as restated	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	(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

16 Property, plant and equipment *(Continued)*

Company

	Office equipment HK$'000	Computer system HK$'000	Total HK$'000
Cost			
At 31 July 2004, 31 July 2005 and 31 July 2006	8	21	29
Accumulated depreciation			
At 31 July 2004, 31 July 2005 and 31 July 2006	(8)	(21)	(29)
Net book value			
At 31 July 2005 and 31 July 2006	–	–	–

Notes:

(a) Buildings with net book values of HK$61,670,000 (2005: HK$52,904,000, as restated) have been pledged to banks to secure banking facilities granted to the Group (note 36).

(b) Net book value of property, plant and equipment held by the Group under finance leases amounted to HK$3,231,000 (2005: HK$308,000).

17 Leasehold land and land use rights

	Group 2006 HK$'000	2005 HK$'000 (Restated)
At the beginning of the year	**55,923**	57,237
Exchange differences	**12**	13
Acquisition of subsidiaries	**898**	–
Amortisation charge	**(1,372)**	(1,327)
Disposals	**(1,721)**	–
At the end of the year	**53,740**	55,923

Notes:

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

	Group 2006 HK$'000	2005 HK$'000 (Restated)
In Hong Kong, held on:		
Leases of between 10 to 50 years	**49,684**	50,814
Outside Hong Kong, held on:		
Leases over 50 years	**732**	745
Leases of between 10 to 50 years	**3,324**	3,477
Leases less than 10 years	**–**	887
	4,056	5,109
	53,740	55,923

(b) Leasehold land with net book value of HK$49,684,000 (2005: HK$50,814,000, as restated) has been pledged to banks to secure banking facilities granted to the Group (note 36).

18 Intangible assets

	Goodwill HK$'000	Other intangible assets HK$'000	Total HK$'000
Cost			
At 31 July 2004	93,810	–	93,810
Acquisition of subsidiaries (note 34(c))	10,238	4,271	14,509
Acquisition of business	8,206	–	8,206
Adjustment of goodwill in respect of acquisitions in prior years	5,956	–	5,956
At 31 July 2005	118,210	4,271	122,481
Acquisition of subsidiaries (note 34(c))	2,106	34,849	36,955
Acquisition of additional interests 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
Accumulated amortisation and impairment			
At 31 July 2004	–	–	–
Amortisation charge	–	178	178
At 31 July 2005	–	178	178
Amortisation charge	–	1,630	1,630
At 31 July 2006	–	1,808	1,808
Net book value			
At 31 July 2006	158,967	37,395	196,362
At 31 July 2005	118,210	4,093	122,303

18 Intangible assets *(Continued)*

Notes:

(a) Other intangible assets represented agency network, customer base and relationship 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$1,630,000 (2005: HK$178,000) is included in administrative and other operating expenses in the income statement.

(c) For impairment assessment of goodwill, goodwill is allocated to the Group's cash generating units (CGUs) identified according to territory 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 20% per annum with the exception of the exhibition forwarding and household removal business which has higher gross margin;

(ii) growth rate used to extrapolate cash flow projections beyond the period covered by budgets ranging from 0% to 2% per annum; and

(iii) discount rate of 11.65% 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 the expectations for the market development.

19 Subsidiaries

	Company 2006 HK$'000	2005 HK$'000
Unlisted investments, at cost	**208,129**	208,129
Loan to a subsidiary (note a)	**23,800**	26,800
	231,929	234,929

Notes:

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

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

	Company 2006 HK$'000	2005 HK$'000
Amounts due from subsidiaries (note i)	**155,251**	74,146
Amounts due to subsidiaries (note ii)	**(13,757)**	(13,366)
	141,494	60,780

(i) Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of amounts due from subsidiaries are denominated in the following currencies:

	Company 2006 HK$'000	2005 HK$'000
Hong Kong dollar	**152,050**	74,146
South Africa rand	**3,201**	–
	155,251	74,146

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

19 Subsidiaries *(Continued)*

(c) (i) In November 2001, the Group acquired 70% equity interests in BALtrans Logistics (Canada) Limited ("BALtrans Canada") at a consideration of C$6,440,000, with further contingent consideration payable in 2007 and 2008 amounting to 50% of the net profit of BALtrans Canada exceeding C$1,840,000 for each of the financial years ending 31 October 2006 and 31 October 2007.

During the year, the Group has agreed with the vendors to cancel the aforesaid contingent consideration payable in 2007 and 2008 in exchange for a new management commission entitling the vendors to a certain share in the net profit of BALtrans Canada, which will be paid out by BALtrans Canada.

(ii) 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 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	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 contingent consideration has been forecast to be HK$4,872,000 (2005: HK$6,839,000) based on the three year business plan provided by the vendors. This amount has been accrued and included as deferred consideration payable as at 31 July 2006.

The final contingent consideration will be calculated based on the agreed formula after the gross profit for those financial years have been determined and any excess or shortfall to the accrued amount above will be adjusted accordingly.

(d) Details of principal subsidiaries as at 31 July 2006 are set out in note 40(a) to the financial statements.

20 Jointly controlled entities

	Group 2006 HK$'000	Group 2005 HK$'000
Unlisted investments		
Share of net assets	**6,581**	2,461
Loan to a jointly controlled entity (note a)	**–**	1,000
	6,581	3,461
At cost	**4,099**	1,219

Notes:

(a) Loan to a jointly controlled entity was unsecured, interest free and fully repaid during the year.

(b) Details of principal jointly controlled entities as at 31 July 2006 are set out in note 40(b) to the financial statements.

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

	Group 2006 HK$'000	Group 2005 HK$'000
Revenues	**5,387**	154,321
Expenses	**(4,211)**	(157,180)
Profit/(loss) after income tax	**1,176**	(2,859)
Non-current assets	**57**	16
Current assets	**7,810**	4,454
Total assets	**7,867**	4,470
Non-current liabilities	**–**	(1,000)
Current liabilities	**(1,286)**	(1,009)
Total liabilities	**(1,286)**	(2,009)
Net assets	**6,581**	2,461

21 Associates

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted investments		
Share of net assets	**3,758**	31,143
At cost	**5,943**	13,709

Notes:

(a) Details of principal associates as at 31 July 2006 are set out in note 40(c) to the financial statements.

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

	Group	
	2006	2005
	HK$'000	HK$'000
Revenues	**261,959**	452,331
Expenses	**(257,827)**	(444,777)
Profit after income tax	**4,132**	7,554
Non-current assets	**10,501**	14,929
Current assets	**45,873**	107,229
Total assets	**56,374**	122,158
Non-current liabilities	**18,779**	8,330
Current liabilities	**33,837**	82,685
Total liabilities	**52,616**	91,015
Net assets	**3,758**	31,143

22 Derivative financial instruments

	Group 2006 Call options HK$'000 (note 32)	Group 2006 Forward foreign exchange contracts HK$'000 (note)	Group 2006 Total HK$'000	Company 2006 Call options HK$'000 (note 32)
Non-current				
Additions and at the end of the year	**5,694**	–	**5,694**	**5,694**
Current				
Additions and at the end of the year	–	**340**	**340**	–

Note:

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

23 Available-for-sale financial assets

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

24 Trade and other receivables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
Third parties	**721,592**	573,697	**–**	–
Jointly controlled entities	**943**	2,847	**–**	–
Associates	**32,728**	48,398	**–**	–
Related companies	**1,417**	1,314	**–**	–
Minority shareholders	**13**	218	**–**	–
	756,693	626,474	**–**	–
Less: Provision for impairment	**(57,731)**	(63,042)	**–**	–
	698,962	563,432	**–**	–
Deposits, prepayments and other receivables				
Third parties	**95,733**	107,068	**154**	140
Related companies	**–**	4,978	**–**	–
	95,733	112,046	**154**	140
	794,695	675,478	**154**	140

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.

In prior year, there were trade receivables from certain associates of HK$374,000 which bore interest ranging from 1.5% to 6% per annum.

24 Trade and other receivables *(Continued)*

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

	Group	
	2006	2005
	HK$'000	HK$'000
30 days or below	**413,944**	298,471
31 – 60 days	**214,051**	149,898
61 – 90 days	**46,841**	58,269
Over 90 days	**24,126**	56,794
	698,962	563,432

(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	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**197,157**	291,803	**154**	140
United States dollar	**134,385**	134,803	**–**	–
Renminbi	**64,823**	78,710	**–**	–
Great British pound	**68,025**	66,132	**–**	–
Euro	**46,676**	–	**–**	–
Other currencies	**283,629**	104,030	**–**	–
	794,695	675,478	**154**	140

(f) Trade receivables with net book value of HK$76,868,000 (2005: Nil) have been pledged to banks to secure banking facilities granted to the Group (note 36).

25 Financial assets at fair value through profit or loss

	Group 2006 Unlisted equity securities HK$'000
At the beginning of the year	–
Opening adjustments of HKAS 39	**1,565**
At the beginning of the year, as restated	**1,565**
Exchange differences	**232**
Additions	**2,212**
Disposal	**(100)**
Change in fair value	**488**
At the end of the year	**4,397**

26 Other investments

	Group 2005 HK$'000
Unlisted equity securities (note)	1,565

Note:

All the unlisted equity securities have been redesignated as financial assets at fair value through profit or loss upon the adoption of HKASs 32 and 39.

27 Share capital

	2006 Number of shares	2006 HK$'000	2005 Number of shares	2005 HK$'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	**302,200,500**	**30,220**	301,500,500	30,150
Issue of shares upon exercise of share options	**4,200,000**	**420**	–	–
Issue of shares upon acquisition of additional interests in subsidiaries (note 34(d))	**3,373,819**	**337**	700,000	70
At the end of the year	**309,774,319**	**30,977**	302,200,500	30,220

Share options

(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.

27 Share capital *(Continued)*

Share options *(Continued)*

(b) The movement of share options granted pursuant to the Company's Share Option Scheme during the year are as follows:

		Number of share options					Vested percentages	
Date of grant	Exercise price per share	At 1 August 2005	Granted	Exercised	Cancelled	At 31 July 2006	At 31 July 2006	At 31 July 2005
4 May 2004	HK$2.045							
Directors		4,700,000	–	(1,600,000)	–	3,100,000	50%	25%
Employees		7,600,000	–	(2,600,000)	(1,800,000)	3,200,000	50%	25%
		12,300,000	–	(4,200,000)	(1,800,000)	6,300,000		
17 August 2005	HK$2.95							
Directors		–	2,200,000	–	–	2,200,000	–	N/A
Employees		–	800,000	–	–	800,000	–	N/A
		–	3,000,000	–	–	3,000,000		
7 February 2006	HK$4.65							
Employees		–	3,700,000	–	–	3,700,000	–	N/A
14 March 2006	HK$4.765							
Director		–	700,000	–	–	700,000	–	N/A
Employee		–	2,500,000	–	–	2,500,000	–	N/A
		–	3,200,000	–	–	3,200,000		
		12,300,000	9,900,000	(4,200,000)	(1,800,000)	16,200,000		

27 Share capital *(Continued)*

Share options *(Continued)*

(b) *(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	

(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$4.69.

(d) The fair value of options granted during the year determined using the binomial valuation model was HK$11,639,000 (2005: HK$6,385,000). The significant inputs into the model included: share price ranging from HK$2.025 to HK$4.725, standard deviation of expected share price returns of 45%, expected life of options ranging from 4.43 to 4.48 years, expected dividend paid out rate of 57% and annual risk-free interest rate ranging from 3.85% to 4.35%. The standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years.

(e) On 15 August 2006, 4,000,000 share options of exercise price of HK$5.4 per share were granted to a Director. These share options were exercisable from 5 July 2008 to 4 July 2016.

(f) On 7 September 2006, 400,000 share options of exercise price of HK$5.85 per share were granted to a Director. These share options were exercisable from 7 September 2007 to 6 September 2011.

28 Reserves

Group

	Share premium HK$'000	Revaluation reserve HK$'000	Statutory reserves HK$'000	Other reserves HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 July 2005, as previously reported	237,012	65,407	930	–	18	312,880	616,247
Effect of changes in accounting policies:							
HKAS 16	–	(65,407)	–	–	–	4,682	(60,725)
HKAS 17	–	–	–	–	–	(12,522)	(12,522)
HKFRS 2	–	–	–	4,370	–	(4,370)	–
At 31 July 2005, as restated	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 an additional interest in 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	(64,073)	(3,338)	362,533	562,138
Representing:							
Retained profits	–	–	–	–	–	325,980	325,980
Other reserves	258,786	6,637	1,593	(64,073)	(3,338)	–	199,605
2006 proposed dividends	–	–	–	–	–	36,553	36,553
	258,786	6,637	1,593	(64,073)	(3,338)	362,533	562,138

28 Reserves *(Continued)*

Group *(Continued)*

	Share premium HK$'000	Revaluation reserve HK$'000	Statutory reserves HK$'000	Other reserves HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 July 2004, as previously reported	235,650	23,356	85	–	(1,019)	236,600	494,672
Effect of change in accounting policies:							
HKAS 16	–	(23,356)	–	–	–	27,717	4,361
HKAS 17	–	–	–	–	–	(11,195)	(11,195)
HKFRS 2	–	–	–	1,026	–	(1,026)	–
At 31 July 2004, as restated	235,650	–	85	1,026	(1,019)	252,096	487,838
Exchange differences	–	–	–	–	1,037	–	1,037
Profit guarantee in relation to acquisition of subsidiaries adjusted to goodwill previously taken directly to reserves	–	–	–	–	–	6,238	6,238
Issue of shares upon exercise of share options	1,362	–	–	–	–	–	1,362
Share-based payments	–	–	–	3,344	–	–	3,344
Profit for the year, as restated	–	–	–	–	–	83,281	83,281
2004 final dividend	–	–	–	–	–	(30,150)	(30,150)
2005 interim dividend	–	–	–	–	–	(9,950)	(9,950)
Transfer	–	–	845	–	–	(845)	–
At 31 July 2005	237,012	–	930	4,370	18	300,670	543,000
Representing:							
Retained profits	–	–	–	–	–	261,384	261,384
Other reserves	237,012	–	930	4,370	18	–	242,330
2005 proposed dividends	–	–	–	–	–	39,286	39,286
	237,012	–	930	4,370	18	300,670	543,000

28 Reserves *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 31 July 2005, as previously reported	237,012	31,896	–	44,006	312,914
Effect of change in accounting policy:					
HKFRS 2	–	–	4,370	(4,370)	–
At 31 July 2005, as restated	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 of additional interests in 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	(64,073)	40,095	266,704
Representing:					
Retained profits	–	–	–	3,542	3,542
Other reserves	258,786	31,896	(64,073)	–	226,609
2006 proposed dividend	–	–	–	36,553	36,553
	258,786	31,896	(64,073)	40,095	266,704

28 Reserves *(Continued)*

Company *(Continued)*

	Share premium HK$'000	Contributed surplus HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 31 July 2004, as previously reported	235,650	31,896	–	30,526	298,072
Effect of change in accounting policy:					
HKFRS 2	–	–	1,026	(1,026)	–
At 31 July 2004, as restated	235,650	31,896	1,026	29,500	298,072
Issue of shares upon exercise of share options	1,362	–	–	–	1,362
Share-based payments	–	–	3,344	–	3,344
Profit for the year, as restated	–	–	–	50,236	50,236
2004 final dividend	–	–	–	(30,150)	(30,150)
2005 interim dividend	–	–	–	(9,950)	(9,950)
At 31 July 2005	237,012	31,896	4,370	39,636	312,914
Representing:					
Retained profits	–	–	–	350	350
Other reserves	237,012	31,896	4,370	–	273,278
2005 proposed dividends	–	–	–	39,286	39,286
	237,012	31,896	4,370	39,636	312,914

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 2006, the distributable reserves of the Company available for distribution amounted to HK$7,918,000 (2005: HK$75,902,000, as restated).

(c) In accordance with the relevant government regulations and the articles of association of the subsidiaries in the PRC, it is required to appropriate at each year certain percentages of its profit for the year after setting off accumulated losses brought forward (based on profit reported in the statutory accounts) to reserve fund and enterprise development fund respectively. These reserves are required to be retained in the 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.

29 Borrowings

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Deferred consideration payables	**2,209**	4,348	**–**	–
Amounts due to minority shareholders (note a)	**2,281**	1,862	**–**	–
Obligations under finance leases (note b)	**779**	95	**–**	–
Secured long-term bank borrowings wholly repayable within five years (note c)	**–**	9,352	**–**	–
	5,269	15,657	**–**	–
Current				
Short-term bank borrowings	**163,412**	71,626	**–**	–
Bank overdrafts	**37,704**	25,755	**104**	–
Deferred consideration payables	**2,663**	6,589	**–**	–
Obligations under finance leases (note b)	**537**	164	**–**	–
Current portion of long-term bank borrowings (note c)	**3,772**	3,996	**–**	–
	208,088	108,130	**104**	–
	213,357	123,787	**104**	–

29 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	
	2006	2005
	HK$'000	HK$'000
Within one year	**554**	174
In the second year	**609**	32
In the third to fifth year	**208**	72
	1,371	278
Future finance charges	**(55)**	(19)
Present value of finance leases	**1,316**	259
Representing:		
Current		
Within one year	**537**	164
Non-current		
In the second year	**595**	27
In the third to fifth year	**184**	68
	779	95
	1,316	259

(c) The Group's long-term bank borrowings were repayable as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current		
Within one year	**3,772**	3,996
Non-current		
In the second year	**–**	3,996
In the third to fifth year	**–**	5,356
	–	9,352
	3,772	13,348

29 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 2005	108,130	13,795	1,862	123,787
At 31 July 2006	**208,088**	**3,533**	**1,736**	**213,357**

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

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Hong Kong dollar	**105,165**	66,619	**104**	–
South African rand	**67,022**	–	**–**	–
New Taiwanese dollar	**18,000**	20,124	**–**	–
Renminbi	**–**	18,240	**–**	–
Canadian dollar	**15,728**	11,608	**–**	–
Unites States dollar	**3,429**	1,861	**–**	–
Euro	**3,080**	–	**–**	–
Great British pound	**–**	4,184	**–**	–
Others	**933**	1,151	**–**	–
	213,357	123,787	**104**	–

(f) The effective interest rates per annum at the balance sheet date were as follows:

	2006			2005	
	Hong Kong dollar	**South Africa rand**	**Others**	Hong Kong dollar	Others
Bank borrowings	**5.90%**	**9.00%**	**3.62%**	6.02%	4.22%
Obligations under finance leases	**–**	**10.00%**	**15.95%**	–	6.94%

30 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:

	2006 HK$'000	2005 HK$'000
Current service cost	**1,661**	1,232
Interest cost	**292**	234
Expected return on plan assets	**(175)**	(160)
Net actuarial losses recognised	**174**	14
Charge for the year included in staff costs (note 14)	**1,952**	1,320

The actual return on plan assets was HK$82,000 (2005: HK$55,000).

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

	Group	
	2006 HK$'000	2005 HK$'000
At the beginning of the year	**2,320**	1,378
Exchange differences	**175**	89
Charge for the year	**1,952**	1,320
Contributions paid	**(3,000)**	(467)
At the end of the year	**1,447**	2,320

31 Deferred income tax (assets)/liabilities

	Group 2006 HK$'000	2005 HK$'000 (Restated)
Deferred income tax assets	**(11,141)**	(9,106)
Deferred income tax liabilities	**816**	1,938
	(10,325)	(7,168)
The amounts shown in the balance sheet include the following:		
Deferred income tax assets to be recovered after more than 12 months	**(9,613)**	(7,115)
Deferred income tax liabilities to be settled after more than 12 months	**816**	1,938

Deferred income tax (assets)/liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2005: 17.5%).

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

	Group 2006 HK$'000	2005 HK$'000 (Restated)
At the beginning of the year	**(7,168)**	(8,004)
Exchange differences	**1**	37
Acquisition of subsidiaries	**(382)**	–
Disposals of subsidiaries	**–**	326
Deferred income tax (credited)/charged to income statement (note 10)	**(2,776)**	473
At the end of the year	**(10,325)**	(7,168)

31 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 tax assets

	Provisions		Tax losses		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**(1,320)**	(3,617)	**(7,298)**	(5,472)	**(488)**	–	**(9,106)**	(9,089)
Exchange differences	**(1)**	(60)	**(151)**	89	**18**	–	**(134)**	29
Acquisition of subsidiaries	**(573)**	–	**(19)**	–	**12**	–	**(580)**	–
Disposal of subsidiaries	**–**	326	**–**	–	**–**	–	**–**	326
Charged/(credited) to income statement	**(102)**	2,031	**(1,461)**	(1,915)	**242**	(488)	**(1,321)**	(372)
At the end of the year	**(1,996)**	(1,320)	**(8,929)**	(7,298)	**(216)**	(488)	**(11,141)**	(9,106)

Deferred tax liabilities

	Accelerated tax depreciation		Revaluation reserve		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year, as restated	**960**	223	**–**	–	**978**	862	**1,938**	1,085
Exchange differences	**(15)**	8	**150**	–	**–**	–	**135**	8
Acquisition of subsidiaries	**313**	–	**(115)**	–	**–**	–	**198**	–
Charged/(credited) to income statement	**(442)**	729	**(35)**	–	**(978)**	116	**(1,455)**	845
At the end of the year	**816**	960	**–**	–	**–**	978	**816**	1,938

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$96,743,000 (2005: HK$140,537,000) to carry forward against future taxable income, of which tax losses of HK$81,949,000 (2005: HK$112,217,000) will expire in 2023 (2005: 2022) and tax losses of HK$14,794,000 (2005: HK$28,320,000) have no expiry date.

32 Other non-current liabilities

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

In January 2006, the Group entered into an agreement to purchase 52% interest in Clover Cargo Holdings (Proprietary) Limited ("Clover Cargo"). The acquisition was completed in May 2006. Details of the acquisition were set out in note 39(a).

In April 2006, the Group also entered into option agreements ("Option Agreements") with the other minority shareholders (the "Minority Shareholders") of Clover Cargo in respect of the purchase of the remaining 38% interest in Clover Cargo.

Pursuant to the Option Agreements, the Group has written put options to the Minority Shareholders who can put their interests in Clover Cargo and their interests in the non-wholly owned subsidiaries of Clover Cargo to the Group from years 2009 to year 2011 and the Group has been granted call options entitling the Group to purchase in year 2012 from the Minority Shareholder the 38% interests in Clover Cargo and their interests in the non-wholly owned subsidiaries of Clover Cargo.

The considerations for the put and call options mainly include cash which is calculated based on the profit after tax for certain years prior to the exercise of the options.

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 12% to 21% 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 22.

33 Trade and other payables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
Third parties	**273,504**	248,792	**–**	–
Jointly controlled entities	**260**	154	**–**	–
Associates	**1,332**	3,687	**–**	–
Related companies	**243**	125	**–**	–
	275,339	252,758	**–**	–
Accrued charges and other payables	**287,576**	251,731	**6,015**	3,475
Other payable to a related company	**–**	1,943	**–**	–
	562,915	506,432	**6,015**	3,475

Notes:

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

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

	Group	
	2006	2005
	HK$'000	HK$'000
30 days or below	**211,572**	172,140
31 – 60 days	**30,384**	43,329
61 – 90 days	**12,292**	8,623
Over 90 days	**21,091**	28,666
	275,339	252,758

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

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**195,293**	296,778	**6,015**	3,475
Renminbi	**79,506**	91,726	**–**	–
Great British pound	**65,537**	69,341	**–**	–
United States dollar	**42,019**	42,538	**–**	–
Other currencies	**180,560**	6,049	**–**	–
	562,915	506,432	**6,015**	3,475

34 Notes to the consolidated cash flow statement

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

	2006 HK$'000	2005 HK$'000 (Restated)
Profit before income tax	**142,868**	104,848
Interest expenses	**4,780**	3,359
Interest income	**(4,442)**	(1,528)
Amortisation of other intangible assets	**1,630**	178
Amortisation of leasehold land and land use rights	**1,372**	1,327
Depreciation of property, plant and equipment	**21,826**	18,941
Share-based payments	**4,459**	3,344
Excess of fair value of net assets acquired over cost of acquisition of a subsidiary	**(8,331)**	–
Gain on disposal of subsidiaries	**(23)**	(8,228)
Gain on disposal of associates	**(11,283)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(9,900)**	–
Fair value gain on financial assets through profit or loss	**(488)**	–
Gain on disposal of other investments	**–**	(173)
Loss on disposal of property, plant and equipment and leasehold land and land use rights	**270**	45
Share of net profits less losses of jointly controlled entities	**(1,176)**	2,859
Share of net profits less losses of associates	**(4,132)**	(7,554)
Exchange differences on retranslation of deferred consideration payable	**525**	632
Operating profit before working capital changes	**137,955**	118,050
Decrease/(increase) in trade and other receivables	**58,885**	(399)
(Decrease)/increase in trade and other payables	**(32,444)**	36,170
(Decrease)/increase in retirement liabilities	**(873)**	942
Net cash generated from operations	**163,523**	154,763

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

(b) Analysis of changes in financing

	Share capital including premium		Dividend payable		Minority interests		Bank borrowings, amounts due to minority shareholders and obligations under finance leases	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**267,232**	265,800	**–**	–	**21,999**	19,105	**87,095**	70,341
Dividends	**–**	–	**50,733**	40,100	**–**	–	**–**	–
Net cash from/(used in) financing activities	**–**	–	**(50,733)**	(40,100)	**(2,832)**	(5,175)	**21,315**	(3,329)
Minority interests' share of profit	**–**	–	**–**	–	**10,644**	8,605	**–**	–
Disposal of subsidiaries (note 34(e))	**–**	–	**–**	–	**(151)**	(2,794)	**–**	–
Capital contribution from minority shareholders	**–**	–	**–**	–	**117**	636	**–**	–
Acquisition of subsidiaries (note 34(c))	**–**	–	**–**	–	**29,518**	1,640	**62,067**	19,200
Acquisition of additional interests in subsidiaries	**–**	–	**–**	–	**(8,615)**	–	**–**	–
Issue of shares upon exercise of share options#	**10,993**	1,432	**–**	–	**–**	–	**–**	–
Issue of shares upon acquisition of additional interests in subsidiaries	**11,538**	–	**–**	–	**–**	–	**–**	–
Exchange differences	**–**	–	**–**	–	**(8)**	(18)	**304**	882
At the end of the year	**289,763**	267,232	**–**	–	**50,672**	21,999	**170,781**	87,094

Upon exercise of share options, an amount of HK$2,404,000 (2005: Nil) was transferred from other reserves to share premium.

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

(c) Acquisition of subsidiaries

	2006 HK$'000	2005 HK$'000
Fair value of net assets acquired:		
Property, plant and equipment	**17,719**	3,026
Leasehold land	**898**	–
Other intangible assets (note 18)	**34,849**	4,271
Deferred income tax assets	**382**	–
Trade and other receivables	**183,993**	80,002
Bank balances and cash	**4,166**	26,583
Trade and other payables	**(91,834)**	(75,933)
Current income tax payable	**(2,748)**	(2,397)
Bank overdrafts	**(1,294)**	–
Borrowings (note 34(b))	**(62,067)**	(19,200)
Minority interests (note 34(b))	**(29,518)**	(1,640)
	54,546	14,712
Less: Share of net assets held by the Group	**(10,215)**	(6,663)
	44,331	8,049
Excess of fair value of net assets acquirer over cost of acquisition	**(8,331)**	–
Goodwill (note 18)	**2,106**	10,238
Purchase consideration	**38,106**	18,287
Satisfied by:		
Deposits paid	**3,549**	4,061
Cash	**34,557**	14,226
	38,106	18,287

Analysis of the net cash (used in)/from acquisition of subsidiaries:

	2006 HK$'000	2005 HK$'000
Cash consideration	**(34,557)**	(14,226)
Bank balances and cash on hand acquired	**4,166**	26,583
Bank overdrafts acquired	**(1,294)**	–
Net cash (used in)/from acquisition of subsidiaries	**(31,685)**	12,357

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

(d) Acquisitions of additional interests in subsidiaries

During the year, the considerations of acquisitions of additional interests in subsidiaries were settled by cash of HK$34,870,000 and by issue of 3,373,819 shares of the Company at HK$3.42 per share.

(e) Disposal of subsidiaries

	2006 HK$'000	2005 HK$'000
Net assets disposed of:		
Property, plant and equipment	**–**	806
Deferred income tax assets	**–**	326
Trade and other receivables	**740**	24,999
Bank balances and cash	**804**	22,151
Trade and other payables	**(50)**	(28,031)
Current income tax payable	**(11)**	(1,875)
Minority interests (note 34(b))	**(151)**	(2,794)
	1,332	15,582
Gain on disposal	**23**	8,228
	1,355	23,810
Satisfied by:		
Cash	**1,355**	12,092
Other receivable to be settled less than 12 months	**–**	11,718
	1,355	23,810

Analysis of the net cash from/(used in) disposal of subsidiaries:

	2006 HK$'000	2005 HK$'000
Cash consideration	**1,355**	12,092
Bank balances and cash disposed of	**(804)**	(22,151)
Net cash from/(used in) disposal of subsidiaries	**551**	(10,059)

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

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

	Group	
	2006	2005
	HK$'000	HK$'000
Total bank balances and cash	**333,689**	247,878
Less: Bank balances and cash maturing more than three months from the date of placement	**–**	(7,840)
Less: Pledged time deposits	**(15,966)**	(11,256)
	317,723	228,782
Bank overdrafts	**(37,704)**	(25,755)
Cash and cash equivalents	**280,019**	203,027

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Swedish Kronor	**115,346**	–	**–**	–
United States dollar	**71,134**	68,687	**–**	–
Hong Kong dollar	**50,146**	84,661	**106**	2,660
Renminbi	**24,500**	40,544	**–**	–
Other currencies	**72,563**	53,986	**–**	–
	333,689	247,878	**106**	2,660

(ii) The effective interest rate on time deposits was 4.11% (2005: 2.42%) per annum. These deposits have an average maturity of 78 days (2005: 91 days). The bank balances earn interests at floating rates based on daily bank deposits rates.

35 Commitments

(a) Capital commitments

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted but not provided for		
Investments (note)	**174,869**	3,456
Property, plant and equipment	**–**	1,529
	174,869	4,985

Note:

In July 2006, the Group entered into agreements to acquire 100% of the share capital of Gothenburg Shipping Logistics AB and additional 49.98% of the share capital of BN Holding AG (note 41(a)), a 50.02% associate of the Group. 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:

	2006	2005
	HK$'000	HK$'000
Not later than one year	**43,716**	35,938
Later than one year and not later than five years	**58,645**	36,932
Later than five years	**15,967**	14,345
	118,328	87,215

36 Banking facilities

	2006 HK$'000	2005 HK$'000
Banking facilities		
Secured	**583,631**	350,750
Facilities utilised		
Bank overdrafts	**37,704**	25,755
Short-term bank borrowings	**163,412**	71,626
Long-term bank borrowings	**3,772**	13,348
	204,888	110,729
Guarantees to third parties	**93,942**	39,341
	298,830	150,070

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

(i) Fixed deposits of HK$15,966,000 (2005: HK$11,256,000) of the Group.

(ii) First legal charges on leasehold land and buildings held by the Group (notes 16 and 17).

(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 and personal guarantees provided by these minority shareholders.

(vi) Trade receivables of HK$76,868,000 (2005: Nil) of the Group (note 24(f)).

37 Contingent liabilities

Pending lawsuits

As at 31 July 2006, 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.

38 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 and assets

	2006 HK$'000	2005 HK$'000
(i) Jointly controlled entities		
Forwarding income received	**3,950**	21,171
Forwarding costs paid	**(1,580)**	(15,457)
Management fee received	**728**	735
Management fee paid	**–**	(192)
(ii) Associates		
Forwarding income received	**177,986**	150,248
Forwarding costs paid	**(48,619)**	(46,998)
Management fee received	**216**	193
Loan interest income	**19**	–
(iii) Other related companies		
Forwarding income received		
Related companies of Jardine Asian Holdings Inc ("JAH"), a former substantial shareholder of the Company	**2,942**	9,374
Related companies of Mitsui & Co., Ltd ("Mitsui"), a substantial shareholder of the Company	**5,196**	–
Other related companies	**105**	6,203
Forwarding costs paid		
Related companies of JAH	**(1,127)**	(174)
Related companies of Mitsui	**(366)**	–
Other related companies	**(2)**	(289)

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.

38 Related party transactions *(Continued)*

(b) Key management compensation

	2006 HK$'000	2005 HK$'000
Basic salaries	**16,364**	13,107
Discretionary bonuses	**11,859**	7,425
Retirement benefit costs	**820**	485
Share-based payments	**3,535**	514
	32,578	21,531

39 Business combinations

(a) In May 2006, the Group acquired an additional 52% equity interest in Clover Cargo which is engaged in supply chain management business providing international supply chain logistics services and solutions to importers and exporters such as freight forwarding, customs broking and warehousing, for a total consideration of HK$25,340,000. Details of net assets acquired and excess of fair value of net assets acquired over cost are as follows:

	2006 HK$'000
Purchase consideration	**25,340**
Fair value of net assets acquired	**(33,671)**
Excess of fair value of net assets acquired over cost of acquisition	**(8,331)**

39 Business combinations *(Continued)*

(a) *(Continued)*

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

	Fair value HK$'000	Acquirees' carrying amount HK$'000
Property, plant and equipment	17,154	17,154
Leasehold land	898	898
Other intangible assets	28,615	–
Trade and other receivables	172,321	172,321
Deferred income tax assets	382	382
Trade and other payables	(83,781)	(83,781)
Borrowings	(62,067)	(62,067)
Bank overdrafts	(1,294)	(1,294)
Current income tax payable	(2,566)	(2,566)
Minority interests	(4,914)	–
	64,748	41,047
Minority interests	(24,604)	
Interest originally held by the Group as investment	(6,473)	
Net assets acquired	33,671	

The acquired subsidiary contributed revenues of HK$199,181,000 and net profit of HK$522,000 to the Group after the acquisition for the year. If the acquisition had occurred on 1 August 2005, the Group's revenue and profit attributable to equity holders would have been HK$413,758,000 and HK$3,654,000 respectively.

Excess of fair value of net assets acquired over the cost of acquisition was attributable to the share of the fair value of the other intangible assets including customer base and relationship acquired.

39 Business combinations *(Continued)*

(b) In May 2006, the Group acquired 100% equity interest in Outlook Logistics LLC which is engaged in the provision of freight forwarding, inland transportation and customs clearance services for local and regional customers in Middle East, for a total consideration of HK$8,439,000.

Details of aggregate net assets acquired and goodwill are as follows:

	2006 **HK$'000**
Purchase consideration	**8,439**
Fair value of net assets acquired	**(6,766)**
Goodwill	**1,673**

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

	Fair value HK$'000	**Acquirees' carrying amount** HK$'000
Property, plant and equipment	74	74
Other intangible assets	4,392	–
Trade and other receivables	6,454	6,454
Bank balances and cash	484	484
Trade and other payables	(4,638)	(4,638)
Net assets acquired	6,766	2,374

The acquired subsidiary contributed revenues of HK$7,962,000 and net profit of HK$247,000 to the Group after the acquisition for the year. If the acquisition had occurred on 1 August 2005, the Group's revenue and profit attributable to equity holders would have been HK$24,973,000 and HK$851,000 respectively.

The goodwill can be attributable to the assembled work force acquired.

39 Business combinations *(Continued)*

(c) In June 2006, the Group acquired an additional 51% equity interest in BALtrans Logistics (Thailand) Co., Limited which is engaged in principally engaged in freight forwarding in Thailand, for a total consideration of HK$4,327,000.

Details of net assets acquired and goodwill are as follows:

	2006 **HK$'000**
Purchase consideration	**4,327**
Fair value of net assets acquired	**(3,894)**
Goodwill	**433**

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

	Fair value HK$'000	**Acquirees' carrying amount** HK$'000
Property, plant and equipment	491	491
Other intangible assets	1,842	–
Trade and other receivables	5,218	5,218
Bank balances and cash	3,682	3,682
Trade and other payables	(3,415)	(3,415)
Current income tax payable	(182)	(182)
Net assets acquired	7,636	5,794
Interest originally held by the Group as an associate	(3,742)	
Net assets acquired	3,894	

The acquired subsidiary contributed revenues of HK$7,895,000 and net loss of HK$216,000 to the Group after the acquisition for the year. If the acquisition had occurred on 1 August 2005, the Group's revenue and profit attributable to equity holders would have been HK$35,933,000 and HK$356,000 respectively.

The goodwill can be attributable to the assembled work force acquired.

40 Principal subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held 2006	2005
Held directly:					
BALtrans International (BVI) Limited	British Virgin Islands ("BVI")	Investment holding	US$130,000 ordinary shares	**100%**	100%
BJ Logistics Holdings Limited	BVI	Investment holding	US$15,448,796 ordinary shares	**100%**	100%
Held indirectly:					
BALtrans Exhibition & Removal Limited	Hong Kong	Exhibition forwarding services	HK$1,000,000 ordinary shares	**60%**	60%
BALtrans 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 (China) Limited	PRC	Freight forwarding	US$1,600,000	**100%**	66%
BALtrans Logistics (Hong Kong) Limited	Hong Kong	Freight forwarding	HK$1,000,000 ordinary shares	**100%**	100%
BALtrans Logistics (India) Private Limited	India	Freight forwarding	INR12,500,000 ordinary shares	**74%**	74%
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%**	–

Notes to the Financial Statements

40 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 2006	2005
Held indirectly: *(Continued)*					
# BALtrans Logistics (Shenzhen) Limited	PRC	Freight forwarding	HK$2,500,000	**100%**	100%
BALtrans Logistics (Taiwan) Limited (formerly known as "JLS 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%**	N/A
BALtrans Logistics Inc.	United States of America	Freight forwarding	US$1,000 common shares	**100%**	100%
BALtrans Logistics International Cooperatief UA	Netherlands	Investment holding	EUR10,000 ordinary shares	**100%**	–
BALtrans Logistics Lanka (Private) Limited	Sri Lanka	Freight forwarding	LKR3,177,920 ordinary shares	**84%**	75%
BALtrans Logistics Limited	Hong Kong	Investment holding and freight forwarding	HK$5,000,000 ordinary shares	**100%**	100%
BALtrans Logistics Pte. Limited	Singapore	Freight forwarding	SGD250,000 ordinary shares	**100%**	100%
BALtrans Macao Commercial Offshore Limited	Macau	Freight forwarding agency	MOP100,000 shares	**100%**	100%
Clover Cargo Holdings (Proprietary) Limited	South Africa	Investment holding	ZAR200,000 ordinary shares	**62%**	N/A

40 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 2006	2005
Held indirectly: *(Continued)*					
Clover Cargo Investments (Proprietary) Limited	South Africa	Investment holding	ZAR1,000 ordinary shares	**62%**	N/A
Clover Cargo International (Proprietary) Limited	South Africa	Investment holding	ZAR200 ordinary shares	**62%**	N/A
^ Clover Cargo International (Western Cape) (Proprietary) Limited	South Africa	Investment holding	ZAR300 ordinary shares	**37%**	N/A
Dynamic Logistics (Hong Kong) Limited	Hong Kong	Freight forwarding	HK$500,000 ordinary shares	**100%**	–
Exhibitstrans Logistics Limited	Hong Kong	Exhibition forwarding services	HK$500,000 ordinary shares	**60%**	60%
# Guangdong Supreme International Forwarding Agency Company Limited	PRC	Freight forwarding	RMB5,000,000	**94%**	86.5%
Helu-Trans (S) Pte. Limited	Singapore	Exhibition forwarding services	SGD250,000 Ordinary shares	**60%**	60%
# Jardine-CCTA Logistics Services Limited	PRC	Freight forwarding	US$1,400,000	**100%**	100%
JLS Logistics UK Ltd	United Kingdom	Freight forwarding	GBP30,000 ordinary shares	**100%**	75%
Muragawa Logistics Limited	Hong Kong	Freight forwarding	HK$1,500,000 ordinary shares	**75.2%**	69.2%

40 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 2006	2005
Held indirectly: *(Continued)*					
Outlook Logistics LLC	Dubai	Freight forwarding	AED300,000 ordinary shares	**100%**	–
PT BALtrans Logistics Indonesia	Indonesia	Freight forwarding	IDR1,550,000,000 ordinary shares	**100%**	100%
# Shanghai JLS Logistics Limited	PRC	Freight forwarding	USD200,000	**100%**	100%
Supreme Airfreight Company Limited	Hong Kong	Freight forwarding	HK$1,500,000 ordinary shares	**94%**	86.5%
^ Twala Global Cargo (Proprietary) Limited	South Africa	Investment holding	ZAR104 ordinary shares	**23%**	N/A
Win Profit Corporation Limited	Hong Kong	Property holding	HK$10,000 ordinary shares	**100%**	100%
Zimbery Limited	Hong Kong	Property holding	HK$10,000 ordinary shares	**100%**	100%

@ Sino-foreign joint venture

Foreign enterprise

^ Subsidiaries of Clover Cargo Holdings (Proprietary) Limited

40 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 2006	2005
Held indirectly:					
United Asia Terminals (Yantian) Limited	Hong Kong	Warehousing, distribution and logistics services	HK$52,000 A shares HK$52,000 B shares HK$26,000 C shares	**40%**	40%

(c) Associates

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/paid up capital	Attributable equity interest held 2006	2005
Held indirectly:					
BNG Logistics GmbH	Germany	Freight forwarding	EUR500,000 ordinary shares	**48%**	50%
Shenzhen Yantian Port Logistics Services Ltd	PRC	Freight forwarding	RMB3,000,000	**30%**	–

The above table includes the subsidiaries, jointly controlled entities and associates of the Group which, in the opinion of the Directors, principally affected the results of the year and/or the net assets of the Group.

41 Subsequent events

(a) Business combinations

(i) On 14 July 2006, the Group entered into an agreement to acquire 100% of the share capital of Gothenburg Shipping Logistics AB, a company principally engaged in the provision of air transportation, customs clearance, warehousing and distribution services, both internationally and within Sweden. The acquisition was completed on 15 August 2006.

The estimated purchase consideration and fair value of share of net assets acquired amounted to approximately HK$157.1 million and approximately HK$57.2 million, resulting in a goodwill of approximately HK$99.9 million. The purchase consideration shall be adjusted based on the audited profit after income tax of Gothenburg Shipping Logistics AB for the year ended 31 August 2006 based on its audited financial statements. Share of net assets included other intangible assets acquired, mainly consisting of customer relationship of approximately HK$38.7 million identified on acquisition. The goodwill can be attributable to the anticipated high profitability of the business acquired.

(ii) On 28 July 2006, the Group entered into an agreement to acquire an additional 49.98% of the share capital of BN Holding AG, a then 50.02% owned associate as at 31 July 2006, from the other shareholder. BN Holding AG is an investment holding company which holds 96% equity interest in BNG Logistics, a company principally engaged in the provision of international freight forwarding agency services in Germany. The acquisition was completed on 10 August 2006.

The purchase consideration and fair value of share of net assets acquired amounted to HK$9.9 million and approximately HK$4.1 million respectively, resulting in a goodwill of HK$5.7 million. Share of net assets included other intangible assets acquired which mainly comprised customer relationship. The goodwill is attributable to the assembled work force acquired and anticipated high profitability of the business acquired.

(b) Borrowings

On 6 October 2006, the Group entered into a syndicated loan agreement with banks in the aggregate amount of HK$250,000,000 (the "Facilities"). The Facilities consist of (i) a term loan of HK$187,500,000, repayable in 13 equal instalments with the first instalment payable 12 months from the date of agreement and (ii) a revolving loan of HK$62,500,000 with final maturity date falling 48 months from the date of agreement.