勝獅貨櫃企業有限公司

SINGAMAS CONTAINER HOLDINGS LIMITED

SINGAMAS

ANNUAL REPORT 1998

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Singamas Operations

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chang Yun Chung* *(Chairman)*
Mr. Teo Siong Seng *(Vice Chairman)*
Mr. Hsueh Chao En
Mr. Teo Tiou Seng

*(*Mr. Chang Yun Chung is also known as Mr. Teo Woon Tiong)*

NON-EXECUTIVE DIRECTOR

Mr. Kuan Kim Kin# (appointed on 15th July, 1998)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ong Ka Thai#
Mr. Ping Kim#

 # Audit Committee Member

COMPANY SECRETARY

Ms. Tam Shuk Ping, Sylvia

SOLICITORS

Herbert Smith
23rd Floor, Gloucester Tower
11 Peddar Street
Hong Kong

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited
502–3 Admiralty Centre I
18 Harcourt Road
Hong Kong

REGISTERED OFFICE

Unit 604–606, 6th Floor
National Mutual Centre
151 Gloucester Road
Wanchai
Hong Kong

SHARE REGISTRAR

Central Registration Hong Kong Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

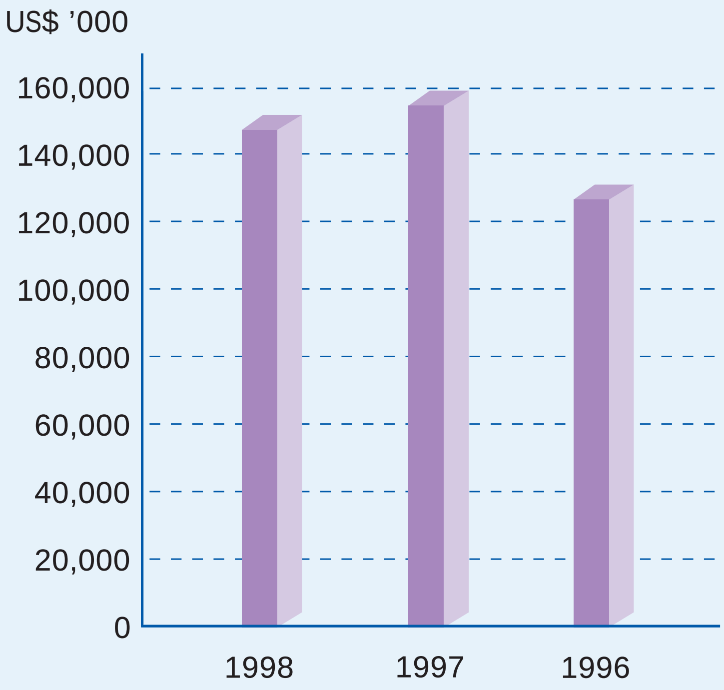
Agricultural Bank of China
Bank of America National Trust and Savings Association
Bank of China
Overseas-Chinese Banking Corporation Limited
Sin Hua Bank Limited
The Development Bank of Singapore Limited
The Hongkong & Shanghai Banking Corporation Limited

Financial Highlights

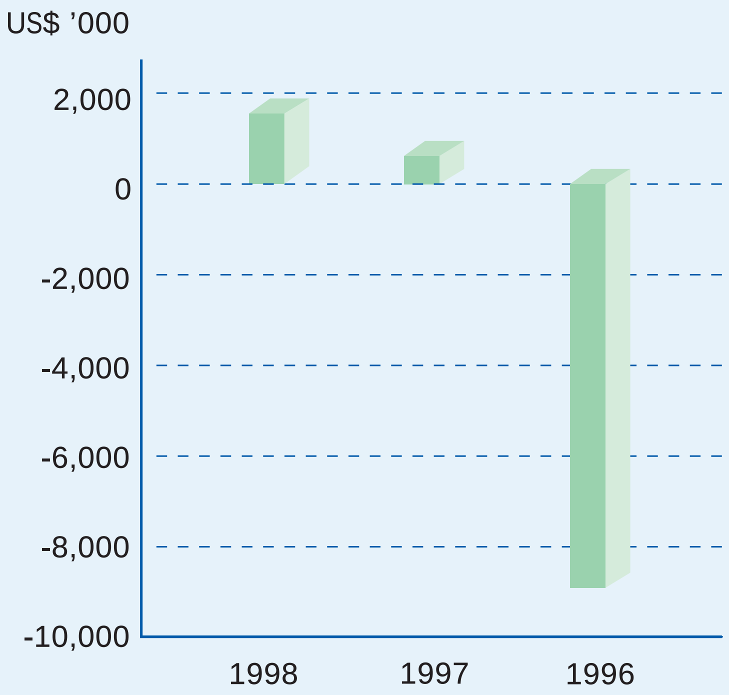
	1998 (US$)	1997 (US$)	Percentage change
Turnover	**147,597,000**	155,449,000	**–5**
Operating profit	**2,394,000**	2,263,000	**6**
Net profit for the year	**1,548,000**	653,000	**137**
Earnings per share	**0.34 cent**	0.14 cent	**143**
Net asset value per share	**8.74 cent**	8.41 cent	**4**
Shareholders' funds	**39,856,000**	38,369,000	**4**
Bank balances and cash	**18,295,000**	19,133,000	**–4**
Total borrowings	**44,875,000**	59,313,000	**–24**
Current ratio	**1.23 to 1**	1.11 to 1	**11**
Gearing ratio	**0.67x**	1.05x	**–36**

Financial Highlights *(continued)*

Turnover

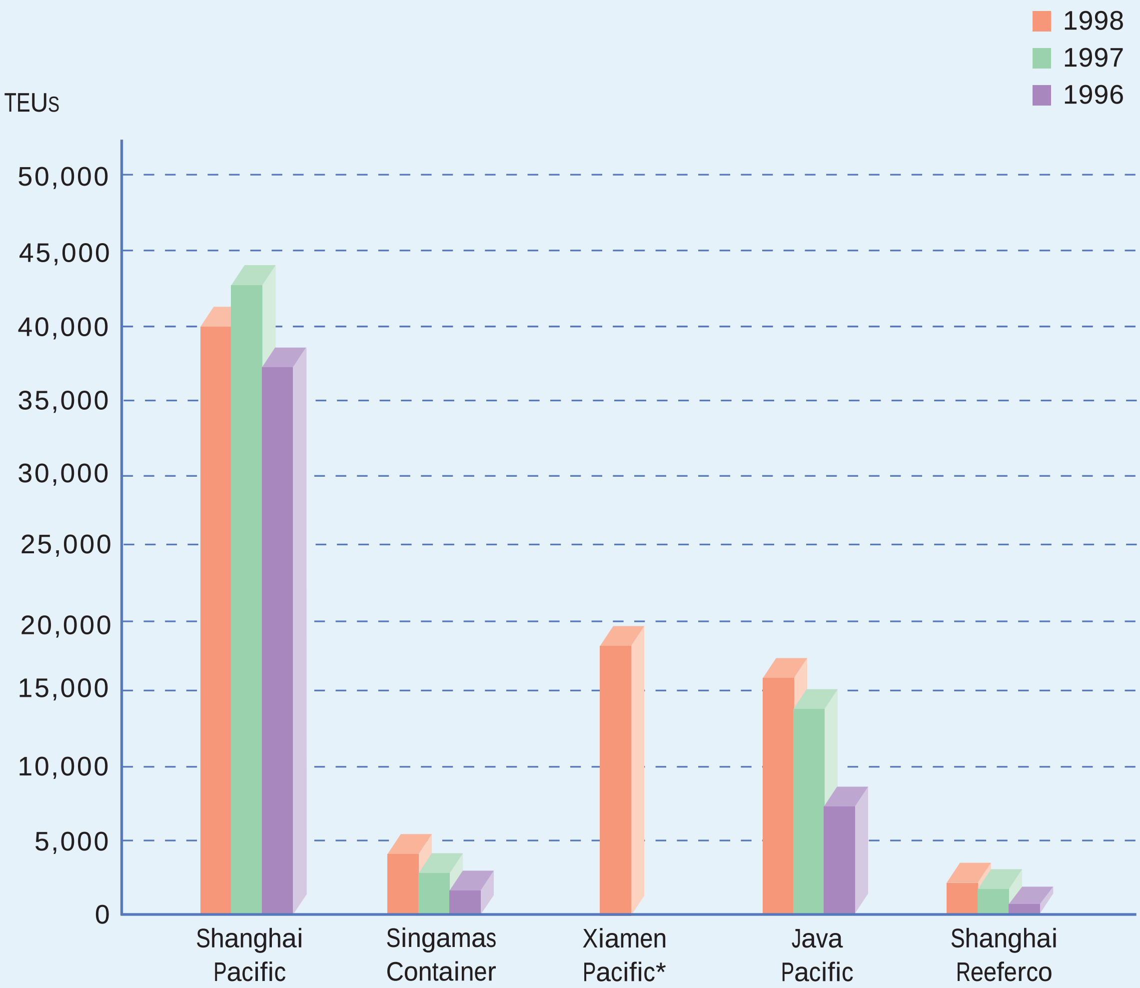


Net Profit for the Year



Financial Highlights *(continued)*

Production Output

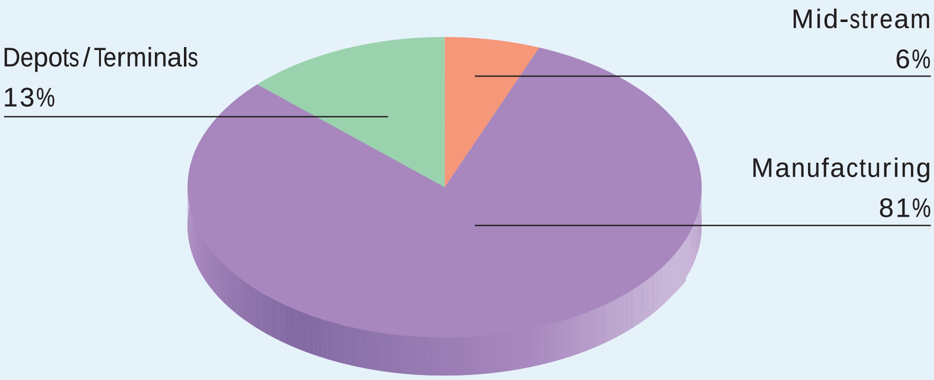


* Singamas Container Holdings Limited took over management of Xiamen Pacific in January, 1998. Accordingly, the above chart only presents Xiamen Pacific's production output for 1998.

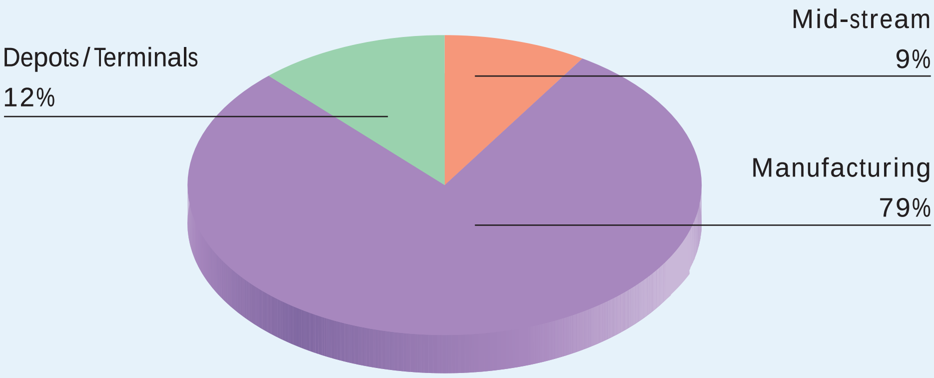
Financial Highlights *(continued)*

Turnover by Business Segment

For the year ended 31st December, 1998



For the year ended 31st December, 1997



Chairman's Statement

Mr. Chang Yun Chung
Chairman

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the 1998 operating results of Singamas Container Holdings Limited (the "Company") and its subsidiary companies (together the "Group"). Turnover for the year was US$147,597,000, representing a fall of 5 per cent from the previous year. Despite the decline in turnover, total consolidated net profit for the year reached US$1,548,000, which was 137 per cent higher than last year's US$653,000.

This encouraging result was mainly attributable to the prudent operating approach adopted by the management in the past year. The management concentrated on keeping the Group's working capital and cash reserves at an optimal level to maintain a healthy financial position. In addition, in order to improve the Group's ongoing operations, various operating strategies, including restructuring and streamlining of management and operations, enhancing production efficiency, adopting innovative and active marketing approach as well as implementing stringent cost controls were carried out during the year. These strategies proved to be successful as evidenced by the year's positive results.

In 1998, Hong Kong and the entire Asian Pacific region continued to be affected by the Asian economic turmoil. Facing such a volatile economic climate, container leasing companies remained cautious in placing orders. Although the devaluation of Asian currencies boosted exports in the region and increased the business volume of manufacturing operations, the fierce competition and the oversupply situation in the market of People's Republic of China (the "PRC") continued to dampen the container selling price; thus, affecting the Group's overall profit margins. Additionally, as container demand in the Asia region rose, many empty containers in Hong Kong were repositioned to those nearby countries where containers were in need, especially during the first half of the year. This resulted in an unsatisfactory performance for the Group's Hong Kong depot business. Although operating conditions were unfavorable, the Group, with over ten years' experience in the market, was able to implement effective measures to overcome these difficulties.

Chairman's Statement *(continued)*

Mr. Teo Siong Seng

President and Chief Executive

BUSINESS REVIEW

The Group is one of the largest container manufacturers in the world and one of the major container depot and terminal operators in the Asian-Pacific region. It operates five production facilities, four in the PRC, and one in Surabaya, Republic of Indonesia ("Indonesia"), producing dry freight containers, collapsible flatrack containers ("flatrack"), Chlorofluorocarban ("CFC") free refrigerated containers ("reefer"), specialised containers and container parts. It also operates seven container depots and terminals, two in Hong Kong and five in key locations of the PRC, and a mid-stream operation in Hong Kong.

Container Manufacturing Operations

Although container manufacturing continued to be the Group's major profit contributor during the year under review, it was affected by the severe container imbalance and stiff competition in the region. Consolidated turnover of US$119,540,000 decreased by 3 per cent from 1997 resulting in a profit before taxation of US$1,346,000, representing a 59 per cent drop as compared to last year.

During the first half of 1998, demand for containers in the Asian region increased significantly mainly due to the imbalance of trade and container movements between Asia and the U.S.-Europe markets was further aggravated by the Asian economic and financial crisis, and the falling of container prices. This growth in demand, however, did not continue into the second half of the year as the imbalance continued, empty containers were starting to build up at the ports of the U.S. and Europe. The high cost involved in repositioning these containers back to Asia has deterred container leasing companies to lease containers to shipping lines for these routes. As a result, sales volume of the year dropped slightly from 1997's 60,865 twenty-foot equivalent units ("TEUs") to 60,526 TEUs in 1998. Moreover, average selling price of dry freight containers has been declining for the past three years from US$1,900 per TEU in 1996 to as low as US$1,450 in 1998, representing a drop of more than 24 per cent. The overall cost of raw materials for containers, at the same time, also decreased, enabling the Group to maintain its profit margins.

Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific"), located in Shanghai, PRC, is one of the world's largest single production line dry freight factory. Affected by the slow-down in container demand in the second half of the year, Shanghai Pacific continued to operate on one production shift and produced 40,262 TEUs in 1998, a slight decrease of 6 per cent from 1997. Shanghai Pacific, however, will be more proactive in regaining its market share in the coming year. To achieve economies of scale and to increase its competitiveness, Shanghai Pacific will restart its second shift in 1999 that was suspended in the second half of 1996. Production capacity will increase from an average of 3,500 TEUs a month in 1998 to approximately 6,500 TEUs in 1999.

The Group is particularly excited about the performance of its new factory, Xiamen Pacific Container Manufacturing Co., Ltd. ("Xiamen Pacific"), located in Xiamen, PRC. Since the Group took over management of Xiamen Pacific in January 1998, Xiamen Pacific managed to turn around and achieved a profit of US$1,092,000 in 1998, with its monthly production capacity growing from 1,000 TEUs to 2,500 TEUs at the present. This encouraging result was mainly attributable to the Group's experienced management, quality products, well-established marketing networks and close working relationship with and assistance from its PRC joint venture partner.

Singamas Container Industry Co., Ltd. ("Singamas Container"), located in Yixing, Jiangsu Province of the PRC, specialises in the production of flatrack and container parts. Demand for flatrack continued to be strong and Singamas Container produced 4,112 TEUs in the year, representing an increase of 41 per cent over 1997.

Despite the social and political unrest in the area, performance of the Group's dry freight container factory located in Surabaya, Indonesia, P.T. Java Pacific Container Factory, was satisfactory. The factory continued to operate on two production shifts and produced 16,082 TEUs in 1998 as compared to 14,366 TEUs last year.

Shanghai Reeferco Container Co., Ltd. ("Shanghai Reeferco"), which specialises in the production of environmentally friendly CFC free reefer, produced 2,345 TEUs of reefer during 1998, increased by 49 per cent from 1997. The global downturn in the reefer container leasing industry and the stiff competition in the PRC market continued to affect Shanghai Reeferco's performance. The Asian economic turmoil, which broke out in July 1997, has also postponed the recovery of this operation. The Group, however, believes that demand for reefer will improve towards the end of 1999 and early 2000. In the meantime, the Group has restructured the management team of Shanghai Reeferco, improved its production efficiency, continued its cost control measures and strengthened the existing marketing networks, in order to prepare itself for the recovery of the reefer market.

Container Depot and Terminal Operations

During the year under review, container depot and terminal operations attained turnover of US$19,238,000, and registered a profit before taxation of US$836,000, as compared to 1997's US$964,000. Unfavorable results were mainly due to the Hong Kong depot operations.

In 1998, in particular during the first half of the year, many empty containers in Hong Kong were repositioned to the PRC and other South East Asian countries to meet container demand in the region. This affected the performance of the Group's empty container storage business in its Hong Kong depots. As part of its corrective measures, management has successfully restructured the Hong Kong depots'

Chairman's Statement *(continued)*

operations and implemented a number of cost reduction programs during the second half of the year. As a result, the Hong Kong depots attained only a small loss before taxation of US$85,000 for the year as a whole, a significant improvement from the loss of US$467,000 recorded in the first half of the year.

On the other hand, the performance of the Group's five container terminals located in Tianjin, Qingdao, Shanghai, Ningbo and Xiamen of PRC was stable. They collectively achieved total turnover of US$10,640,000, increased from last year's US$9,047,000, while profit before taxation was US$921,000.

The Group believes that the seven container depots and terminals will provide long-term profitability to the Group in view of their strategic locations, comprehensive network, well established market position and expanding customer base.

Mid-stream Operation

Despite of the fact that turnover decreased more than 36 per cent from 1997 and reached only US$8,819,000, the restructuring that took place in November 1997 and the continual cost control measures proved to be effective. The mid-stream operation managed to turn around from a loss before taxation of US$1,873,000 in 1997 and achieved a profit of US$574,000 in 1998. Good performance was also due to the increased container repositioning business as many empty containers were repositioned from Hong Kong to PRC and other South East Asian countries due to the increased demand in the region. The result of the mid-stream operation is encouraging and the Group is confident that it will continue to contribute positively to the Group in the future.

PROSPECTS

Analysts predict that 1999 will be no less difficult than 1998. At present, the economic and financial recovery in Asia is difficult to discern with any certainty. As long as these conditions remain, the Group will continue its prudent approach with respect to its business expansion plans, placing its utmost emphasis on maintaining a strong liquidity position and pursuing profit maximization.

In line with its profit maximization objective, the Group will actively identify positive investment opportunities, continue to examine each individual investment plan and closely monitor the business environment in order to be able to react spontaneously to any market changes. Meanwhile, the Group will continue to focus on its existing businesses and further minimize overall operating costs, and improve efficiency and standard of service to enhance its competitiveness and market position.

The Group is cautiously optimistic about its prospects. Supported by excellent and long term business and customer relationships, a professional management team with well defined strategies and a healthy financial position, the Group is confident that it will continue to remain in good shape in 1999 despite the difficult operating environment that lies ahead.

Chairman's Statement *(continued)*

CONCLUSION

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere thanks to our customers, suppliers, bankers, investors and business partners for their continuous support, patronage and confidence in the Group. I would also like to thank my colleagues for their efforts and hard work. They have made a significant contribution to the year's results. In the future, we will continue our hard work to sustain steady growth. Above all, we will be working for a better return for our investors.

Chang Yun Chung
Chairman

Hong Kong, 28th April, 1999

Directors and Senior Management Profile

DIRECTORS

Directors during the year and up to the date of this Annual Report are as follows:

Mr. Chang Yun Chung *(also known as Mr. Teo Woon Tiong)*	Chairman
Mr. Teo Siong Seng	Vice Chairman
Mr. Hsueh Chao En	Executive Director
Mr. Teo Tiou Seng	Executive Director
Mr. Kuan Kim Kin*	Non-Executive Director *(appointed on 15th July, 1998)*
Mr. Ong Ka Thai*	Independent Non-Executive Director
Mr. Ping Kim*	Independent Non-Executive Director

** Audit Committee Member*

Details of the directors at the date of this Annual Report are as follows:

Mr. Chang Yun Chung, aged 80, Chairman, appointed on 20th April, 1993, started his shipping career in Singapore in 1949 and is the founder of Pacific International Lines (Private) Limited ("PIL"), a substantial shareholder of the Company. Mr. Chang is presently the Executive Chairman of the PIL group of companies in Singapore which is engaged in shipping and related business. Mr. Chang is a director of many companies including Far East Levingston Shipbuilding Limited of Singapore and Tranpac Shipping Enterprises Limited of Hong Kong. He is also the Chairman and Deputy Chairman of Malaysia Shipping Corporation Sdn. Bhd. and Pacific Seatrans Lines Pte. Ltd. of Thailand respectively.

Mr. Teo Siong Seng, *B.Sc. (Naval Architect)*, aged 44, appointed on 20th April, 1993 and became the President and Chief Executive Officer of the Company on 1st February, 1997. He is also a director of various subsidiary companies of the Company. Mr. Teo is a son of Mr. Chang Yun Chung and started his shipping career with the PIL Group in 1979 and was appointed as Managing Director of PIL in October, 1992. Mr. Teo is also on the boards of various Sino-foreign joint-venture companies engaged in shipping, marine consultancy and container depot operations. Mr. Teo is a director of Port of Singapore Marine (Pte.) Ltd. and is also a Council Member of the Singapore Chinese Chamber of Commerce and Industry.

Mr. Hsueh Chao En, *Dip. Eng.*, aged 46, appointed on 16th May, 1997, joined Shanghai Pacific in July, 1989 and was appointed as Vice President-Manufacturing Operations of the Company on 1st June, 1993. Mr. Hsueh is a director of various subsidiary companies of the Company and is also the Vice President of Shanghai Pacific responsible for the Technical Division within the Production Department and the Quality Control Department. Prior to joining the Company, he had over 10 years' experience as a Plant Manager in various container manufacturing plants in Taiwan.

Directors and Senior Management Profile *(continued)*

Mr. Teo Tiou Seng, aged 46, appointed on 26th June, 1996 and is also a director of various subsidiary companies of the Company. Mr. Teo is a son of Mr. Chang Yun Chung and has engaged in shipping business since 1977. He has more than 23 years of experience both in container transport and passenger liner covering mainly intra-Asia and Australia. Mr. Teo is the Managing Director of Pacific International Lines (Hong Kong) Limited and President of Pacific International Lines (Japan) Limited.

Mr. Kuan Kim Kin, aged 51, appointed on 15th July, 1998 and is also the General Manager -Finance Division of PIL. Mr. Kuan is a fellow member of The Chartered Institute of Management Accountants, United Kingdom. He has served for more than 20 years in various financial management and accounting positions across diverse business groups and public limited companies in Malaysia.

Mr. Ong Ka Thai, *B.A. (Economics)*, aged 45, appointed on 17th May, 1997. Mr. Ong is currently the Chairman of a number of companies including Ong First Chicago Holdings Co. Ltd., Ong First Chicago Futures Pte. Ltd. (a pioneer member of the Singapore International Monetary Exchange), Ong Commodities Pte. Ltd. and Ong Pacific Capital Ltd. (a regional boutique investment bank). He is also the Vice-Chairman for Asia Financial Pacific (Securities) Ltd. and Ong First Chicago Asia Financial (Futures) Ltd. Prior to that, Mr. Ong had served as the CEO for a number of multinational joint ventures with partners such as Gulf International Bank BSC, Bangkok Bank Public Co. Ltd., American Standard Inc., Morgan Grenfell Asia and The First National Bank of Chicago. He is also a Director of Shanghai International Shanghai Growth Investment Ltd., which is a listed investment fund co-owned by the Shanghai International Trust & Investment Corporation. Mr. Ong has over 21 years' experience in manufacturing, corporate and trade finance, regional equity, futures and commodities trading, investment banking and corporate advisory services, as well as direct and private equity investments.

Mr. Ping Kim, aged 72, appointed on 31st May, 1993, was a director of Beijing Sinotrans Administration Office in Hong Kong. He joined Beijing Sinotrans in 1970 and has served as its Deputy General Manager, General Manager and was its Chairman from 1989 to 1993. Mr. Ping studied at Wuhan University.

Directors and Senior Management Profile *(continued)*

SENIOR MANAGEMENT EXECUTIVES

The senior management executives during the year and up to the date of this Annual Report are as follows:

Mr. Teo Siong Seng	President and Chief Executive Officer
Mr. Hsueh Chao En	Vice President — Manufacturing Operations
Ms. Tam Shuk Ping, Sylvia	Vice President-Finance and Company Secretary
Mr. Tang Chun Tong	Assistant Vice President — Manufacturing Operations *(resigned on 15th March, 1998)*
Mr. Tang Ming Tak	Assistant Vice President — Manufacturing Operations *(resigned on 31st January, 1998)*
Mr. Chan Kwok Leung, Andy	General Manager — Hong Kong Container Depot and Terminal Operations
Mr. Khoo James	General Manager — Marketing *(appointed on 1st March, 1998)*
Mr. Lu Yu Lii, York	General Manager — China Container Depot Operations *(appointed on 1st March, 1998)*

Details of the senior management executives at the date of this Annual Report are as follows:

Mr. Teo Siong Seng, appointed as President and Chief Executive Officer of the Company on 1st February, 1997. Please refer to the Directors section for details.

Mr. Hsueh Chao En, appointed as Vice President — Manufacturing Operations of the Company on 1st June, 1993. Please refer to the Directors section for details.

Ms. Tam Shuk Ping, Sylvia, *B.Comm., M.B.A., C.A. (Can.), F.H.K.S.A.*, aged 36, Vice President — Finance, joined the Company on 15th May, 1995. She was appointed as Company Secretary on 1st March, 1997 and is also a director of various subsidiary companies of the Company. Prior to joining the Company, she was the Chief Financial Officer of a Hong Kong based construction company. She has more than 11 years' experience in public accountancy, manufacturing, distribution and construction.

Mr. Chan Kwok Leung, Andy, aged 42, joined Eng Kong Container Services Ltd., a subsidiary of the Company, on 1st July, 1994 and was appointed General Manager — Hong Kong Container Depot and Terminal Operations of the Company on 1st March, 1997. Mr. Chan has more than 20 years' experience in container depot management, inspection and repair. Prior to joining the Company, he was the Technical Director of Unicon International Ltd., a container surveying company with major interests in the Far East.

Directors and Senior Management Profile *(continued)*

Mr. Khoo James, aged 47, joined P.T. Java Pacific Container Factory, a subsidiary of the Company, on 18th November, 1994 and was appointed General Manager — Marketing of the Company on 1st March, 1998. Mr. Khoo is also the Deputy General Manager of Shanghai Reeferco Container Co. Ltd., a subsidiary of the Company. He has more than 22 years' experience in container manufacturing, design, inspection and repair.

Mr. Lu Yu Lii, York, *B. Eng.*, aged 43, General Manager — China Container Depot Operations, joined the Company on 1st March, 1998 and is also a director of various subsidiary companies of the Company. Mr. Lu has more than 14 years' experience in shipping and container depot management. Prior to joining the Company, he was the Managing Director of a Hong Kong based shipping agency.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting to the shareholders their report and the audited financial statements of the Company and the Group for the year ended 31st December, 1998.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries and associated companies. The activities of its principal subsidiaries and associated companies are set out in notes 13 and 14 respectively to the accounts.

An analysis of the Group's sales and contribution to profit before taxation for the year ended 31st December, 1998 by principal activities and markets is as follows:

Analysis by principal activities

	Turnover	Contribution to profit before taxation
	US$'000	*US$'000*
Container manufacturing operations	119,540	4,517
Container depot and terminal operations	19,238	874
Mid-stream operation	8,819	992
	147,597	6,383
Share of results of associated companies		362
Finance cost (net)		(3,989)
Profit before taxation		2,756

Report of the Directors *(continued)*

Analysis by geographic markets

	Turnover US$'000	Contribution to profit before taxation US$'000
United States	37,341	2,847
Europe	31,083	863
The People's Republic of China	26,768	486
Hong Kong	17,762	871
Singapore	16,095	614
Middle East	12,313	775
Taiwan	4,472	65
Japan	943	(45)
Others	820	(93)
	147,597	6,383
Share of results of associated companies		362
Finance cost (net)		(3,989)
Profit before taxation		2,756

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 1998 are set out in the consolidated profit and loss account on page 30.

The Directors do not recommend the payment of a dividend (1997 : NIL) and propose that the profit for the year be retained.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 63 to 64.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Report of the Directors *(continued)*

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 12 to the accounts.

PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars regarding the principal subsidiaries and associated companies of the Company are set out in notes 13 and 14 respectively to the accounts.

LIQUIDITY

Working capital of the Group increased from US$10.2 million to US$14.3 million during the year. Accounts receivable and inventory decreased much more than the decline in turnover. The receivable and inventory level in days (calculated based on turnover) dropped significantly from 71 days and 79 days in 1997 to around 62 days and 61 days respectively. The faster debt collection and inventory turnover contributed positively to cash flow of the Group. As a result, total borrowings reduced from US$59.3 million to US$44.9 million as at 31st December, 1998. Bank balances and cash as at 31st December, 1998 were US$18.3 million (1997: US$19.1 million). The Directors believe that the Group's financial position remains healthy and its existing banking facilities are sufficient to meet its daily operational needs.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Group and the Company are set out in notes 18 and 23 to the accounts.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year. Details of share capital are set out in note 20 to the accounts.

YEAR 2000 COMPLIANCE

The Year 2000 ("Y2K") issue is the result of computer programs being written by using two digits rather than four to define the applicable year. Thus, these computer systems that have date-sensitive software may recognise a date using "00" as the year 1900 rather than the year 2000. As a result, many computer systems as well as electronic devices containing embedded microprocessors, will therefore be exposed to the risk of malfunction. The Group defines Y2K compliance as to ensure all our computer systems and computer-related equipment are capable of interpreting dates beyond 31st December, 1999 accurately, and recognise Year 2000 as a leap year in order to keep all systems functioning properly and without interruption during and after Year 2000.

Report of the Directors *(continued)*

YEAR 2000 COMPLIANCE *(continued)*

The Group is fully aware of the Y2K issue and a project on Y2K compliance has been started in mid-1997. The Group has set up a Steering Committee ("Committee") to assess the impact of Year 2000 on the Group's operations, and to formulate a Year 2000 compliance program (the "Program"). The Committee reports regularly to the Directors and to the Group Audit Committee. The Program involves testing of all relevant systems to ensure that they are Y2K compliant. It also includes planned replacement by mid-1999 of a small number of the Group's systems, which are not Y2K compliant. The Group, however, is aiming for the majority of its systems to be Y2K compliant by the end of 1998. Full implementation and completion of the Program is targeted for June 1999. The overall progress of the Program is on schedule. Most of the Group's computer systems are used primarily for internal purposes and we do not anticipate any major problem with customers, vendors, and relevant parties.

The total estimated costs of the Program, which have been approved by the Directors, are US$170,000 and approximately 70% of the amount has been incurred and the remaining 30% has not yet contracted for the Program.

The Program is on schedule to make the Group's computer system Y2K compliant by June 1999, nevertheless, a contingency plan is under development and should be ready by August 1999.

DIRECTORS

The Directors during the year and up to the date of this Annual Report are:

Mr. Chang Yun Chung
(also known as Mr. Teo Woon Tiong)
Mr. Teo Siong Seng
Mr. Hsueh Chao En
Mr. Teo Tiou Seng
Mr. Kuan Kim Kin *(appointed as non-executive director on 15th July, 1998)*
Mr. Ong Ka Thai*
Mr. Ping Kim*

* *Independent Non-Executive Director*

In accordance with Articles 92, 93 and 98 of the Company's Articles of Association, Messrs. Teo Tiou Seng and Kuan Kim Kin retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

AUDIT COMMITTEE

Pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), an Audit Committee of the Company was established on 24th August, 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. Since formation, the Committee met three times.

The Audit Committee is answerable to the Board and the principal duties of the Committee include the review of the Company's financial reporting process and internal controls.

Report of the Directors *(continued)*

DIRECTORS' INTERESTS

As at 31st December, 1998, the interests of the Directors in the listed securities of the Company as recorded in the Register maintained by the Company pursuant to Section 29 of Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company were as follows:

Name	Number of Ordinary Shares of HK$0.10 each — Personal Interests	Number of Ordinary Shares of HK$0.10 each — Corporate Interests	Percentage of issued shares
Mr. Chang Yun Chung	—	277,014,178*(Note)*	60.74
Mr. Teo Siong Seng	8,494,000	—	1.86
Mr. Teo Tiou Seng	1,114,000	—	0.24

Note: These shares are held by Pacific International Lines (Private) Limited ("PIL") (an associated corporation, within the meaning of the SDI Ordinance, of the Company) in which Mr. Chang Yun Chung is interested, in aggregate, in 16,005,000 shares representing 86.61 per cent of the issued share capital of that company. Mr. Chang Yun Chung's interest in shares of PIL comprises a personal interest in 2,572,500 shares and corporate interests in 5,730,000 shares through Farcom Enterprises Limited, a company in which he holds 50.33 per cent of the issued share capital and 7,702,500 shares through Y C Chang & Sons Private Limited, a company in which he holds 2.86 per cent of the issued share capital.

Details of the total share options held by the Directors during the year and as at 31st December, 1998 are listed below:

Name	Exercise Price(HK$)	Number of Share Options As at 31st December, 1998 & 1997
Mr. Teo Siong Seng	1.908	1,500,000
	1.44	1,500,000
Mr. Hsueh Chao En	1.908	400,000

The options were granted under the Share Option Scheme approved by the shareholders at the Extraordinary General Meeting held on 17th June, 1993.

As at the date of this Annual Report, none of the share options disclosed above has been exercised. Further details of the Share Option Scheme of the Company are set out in note 21 to the accounts.

DIRECTORS' INTERESTS *(continued)*

Other than those disclosed in note 29 to the accounts, no contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, with the exception of the Share Option Scheme, details of which are described above.

Other than as disclosed above, none of the Directors, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors, nor their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

Other than the interests of certain directors disclosed under the section headed "Directors' Interests" above, the Register of Substantial Shareholders maintained under section 16(1) of the SDI Ordinance discloses no other person having an interest of 10 per cent or more in the issued share capital of the Company as at 31st December, 1998.

CORPORATE GOVERNANCE

Throughout the year, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, except that the non-executive directors and the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE AGREEMENT

Mr. Teo Siong Seng has entered into a service agreement with the Company. Unless terminated by cause, the service agreement is for an initial term of three years which commenced on 1st February, 1997. Thereafter, the service agreement is valid for a further three years, unless terminated by either party giving at least six months' notice. All other Directors do not have a service contract with the Company which is not terminable by the Company within one year without payment of compensation.

Report of the Directors *(continued)*

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

	Percentage
Percentage of purchases attributable to the Group's largest supplier	24.7
Percentage of purchases attributable to the Group's five largest suppliers	38.2
Percentage of sales attributable to the Group's largest customer	9.9
Percentage of sales attributable to the Group's five largest customers	44.3

During the year, none of the Directors or their associates or any shareholder (which to the knowledge of the Directors owns more than 5 per cent of the Company's share capital) had an interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFIT SCHEME

Details of the Retirement Benefit Schemes are set out in note 7 to the accounts.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT EXECUTIVES

Brief biographical details of the Directors and Senior Management Executives of the Company are set out on pages 13 to 16 under the Directors and Senior Management Profile section of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31st December, 1998, the Group employed 2,812 full-time employees. All full-time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus, normally equivalent to one month's basic salary. Factory workers are being remunerated based on a basic wage plus production incentive.

Report of the Directors *(continued)*

REMUNERATION POLICIES AND EMPLOYEE RELATIONS *(continued)*

Neither the Company nor any of its subsidiaries has established a labour union, and is not subject to any collective agreements. The Group has maintained good relationships with its employees. None of the Group's employees is represented by a labour union.

The Company has adopted a Share Option Scheme for employees, details of which are set out in note 21 to the accounts.

AUDITORS

During the year, Messrs. Price Waterhouse, who acted as auditors of the Company for the past 5 years, retired and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the next Annual General Meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board
Chang Yun Chung
Chairman

Hong Kong, 28th April, 1999

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Singamas Container Holdings Limited (the "Company") will be held at Plaza IV, Lower Lobby, Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 14th June, 1999 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31st December, 1998.

2. To re-elect retiring directors and to fix the directors' remuneration.

3. To appoint auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

   "THAT:

   (a) subject to paragraph (c) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with shares in the share capital of the Company ("Shares") and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Right Issue (as defined in paragraph (d) below), (ii) an issue of Shares under any share option scheme adopted by the Company or (iii) a dividend of the Company satisfied by the issue of Shares in accordance with the Articles of Association of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any law applicable to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the members in general meeting of the Company.

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to the holders of Shares and on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to the Company)."

5. As special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"THAT:

(a) subject to paragraph (b) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase its issued shares of HK$0.10 each in the share capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares to be repurchased or agreed conditionally or unconditionally to be repurchased by the Directors pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of this resolution and the said approval be limited accordingly; and

Notice of Annual General Meeting *(continued)*

(c) for the purposes of this resolution :

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of :

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any law applicable to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the members in general meeting of the Company."

6. As special business, to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

"THAT:

conditional on the passing of resolutions numbered 4 and 5 as set out in the notice of the meeting of which this resolution forms part, the aggregate nominal amount of shares in the share capital of the Company which are repurchased by the directors of the Company ("Directors") under the authority granted to the Directors mentioned in such resolution numbered 5 shall be added to the aggregate nominal amount of share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to resolution numbered 4 above, provided that the amount of share capital repurchased by the Directors shall not exceed 10 per cent of the total nominal amount of issued share capital of the Company on the date of this resolution."

7. To transact any other business.

By Order of the Board
Tam Shuk Ping, Sylvia
Company Secretary

Hong Kong, 28th April, 1999

Registered office:
Unit 604–606, 6th Floor,
National Mutual Centre,
151 Gloucester Road,
Hong Kong.

Notice of Annual General Meeting *(continued)*

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that authority must be lodged with the registered office of the Company at Unit 604-606, 6th Floor, National Mutual Centre, 151 Gloucester Road, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. An explanatory statement containing further details on resolution 5 above will be sent to members of the Company together with the Annual Report.

Report of the Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

德勤·關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

TO THE MEMBERS OF SINGAMAS CONTAINER HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 30 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 28th April, 1999

Consolidated Profit and Loss Account

For the year ended 31st December, 1998

	Notes	**1998 US$'000**	1997 US$'000
Turnover	*4*	**147,597**	155,449
Operating profit		**2,394**	2,263
Share of results of associated companies		**362**	139
Profit before taxation	*5*	**2,756**	2,402
Taxation	*8*	**(635)**	(56)
Profit after taxation		**2,121**	2,346
Minority interests		**(573)**	(1,693)
Net profit for the year	*9, 22*	**1,548**	653
Earnings per share	*11*	**0.34 cent**	0.14 cent

Consolidated Balance Sheet

As at 31st December, 1998

	Notes	**1998 US$'000**	1997 US$'000
Fixed assets	12	**47,629**	50,759
Interests in associated companies	14	**5,748**	1,404
Patents	15	**670**	1,144
Pre-operating expenditure	16	**2,466**	4,350
Other deferred expenses	17	**973**	1,084
Net current assets	18	**14,313**	10,253
		71,799	68,994
Financed by:			
Share capital	20	**5,854**	5,854
Reserves	22	**34,002**	32,515
Shareholders' funds		**39,856**	38,369
Minority interests		**26,222**	26,750
Long term liabilities	23	**5,721**	3,868
Deferred tax	24	**—**	7
		71,799	68,994

The financial statements on pages 30 to 62 were approved by the Board of Directors on 28th April, 1999 and are signed on its behalf by:

Teo Siong Seng
Director

Teo Tiou Seng
Director

Balance Sheet

As at 31st December, 1998

	Notes	**1998** **US$'000**	1997 US$'000
Fixed assets	*12*	**328**	465
Interests in subsidiaries	*13*	**64,131**	75,211
Interests in associated companies	*14*	**4,443**	91
Other deferred expenses	*17*	**1**	52
Net current liabilities	*18*	**(12,334)**	(22,945)
		56,569	52,874
Financed by:			
Share capital	*20*	**5,854**	5,854
Reserves	*22*	**47,413**	47,020
Shareholders' funds		**53,267**	52,874
Long term liabilities	*23*	**3,302**	—
		56,569	52,874

Teo Siong Seng
Director

Teo Tiou Seng
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 1998

	Note	1998 US$'000	1997 US$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	28(a)	**22,961**	26,418
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**491**	310
Interest paid		**(3,692)**	(4,094)
Interest element of finance lease and hire purchase contracts rental payments		**(356)**	(286)
Dividends received from associated companies		**—**	72
Dividends paid to minority shareholders		**(1,335)**	(838)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(4,892)**	(4,836)
TAXATION			
Hong Kong profits tax refunded		**2**	14
Hong Kong profits tax paid		**(5)**	—
Overseas tax paid		**(457)**	(208)
TAXATION PAID		**(460)**	(194)
INVESTING ACTIVITIES			
Purchase of fixed assets		**(1,336)**	(127)
Additions to patents		**—**	(15)
Additions to pre-operating expenditure		**(70)**	—
Additions to other deferred expenses		**(28)**	(92)
Increase in investment in associated companies		**(2,200)**	(72)
(Increase)/Decrease in net amounts due from associated companies		**(1,772)**	105
Increase in investment in a subsidiary company		**(201)**	—
Proceeds from disposal of fixed assets		**784**	1,829
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(4,823)**	1,628
NET CASH INFLOW BEFORE FINANCING		**12,786**	23,016

Consolidated Cash Flow Statement *(continued)*

For the year ended 31st December, 1998

	Note	1998 US$'000	1997 US$'000
FINANCING	28(b)		
Issue of ordinary share capital less expenses		—	(10)
New bank loans		**38,840**	29,100
Repayment of bank loans		**(39,393)**	(50,082)
Capital element of finance leases and hire purchase contracts rental payments		**(2,850)**	(4,214)
NET CASH OUTFLOW FROM FINANCING		**(3,403)**	(25,206)
Increase/(Decrease) in cash and cash equivalents		**9,383**	(2,190)
Cash and cash equivalents at 1st January		**(14,234)**	(12,059)
Effect of foreign exchange rate changes		**2**	15
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		**(4,849)**	(14,234)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**18,295**	19,133
Short term bank loans and overdrafts		**(23,144)**	(33,367)
		(4,849)	(14,234)

Notes to the Accounts

1. GENERAL

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Pacific International Lines (Private) Limited, a company incorporated in the Republic of Singapore.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants.

SSAP5 (Revised)	Earnings Per Share
SSAP20	Related Party Disclosures
SSAP22	Inventories

The adoption of SSAP5 (Revised) has resulted in some modifications to the basis of calculation of earnings per share amounts (see note 11).

SSAP20 requires the disclosure of details of transactions with specified related parties (see note 29).

SSAP22 specifies the accounting treatment to be adopted for inventories. The adoption of this standard has resulted in some changes in terminology and presentation, but does not have any effect on the profit for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

(a) Consolidation

The Group financial statements include the financial statements of the Company and its subsidiaries made up to 31st December. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The Group financial statements also include the Group's share of post acquisition profits less losses, and reserves, of its associated companies.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than 50 per cent of the issued or registered share capital, or control more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investment in subsidiaries are carried at cost less provision for diminution in value where, if necessary and in the opinion of the directors, such diminution is permanent.

(c) Interests in associated companies

An associated company is an enterprise over which the Group is in a position to exercise significant influence in its management, including participation in financial and operating policy decisions.

The Group's investments in associated companies are included in the consolidated balance sheet at the Group's share of net assets of the associated companies, and the Group's share of the results of associated companies are included in the consolidated profit and loss accounts. When the Group transacts with its associated companies, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associated company, except where unrealised losses provide evidence of an impairment of the asset transferred.

The Company's investments in associated companies are carried at cost less provision for diminution in value where, if necessary and in the opinion of the directors, such diminution is permanent. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Goodwill

Goodwill represents the excess of purchase consideration over the fair value ascribed to the net assets of subsidiaries and associated companies acquired and is eliminated against reserves in the year of acquisition.

(e) Turnover

Turnover represents net invoiced sales to third parties and related companies.

Notes to the Accounts *(continued)*

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Revenue recognition

Revenue from container manufacturing operations is recognised at the earlier of the containers being delivered to customers or acceptance notes being issued by customers.

Revenue from container depot and terminal operations and mid-stream operation is recognised when the services are rendered.

Interest income is recognised on an accruals basis.

(g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase cost and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the fixed asset has been put into operation, such as repairs and maintenance and overhead costs, is normally charged to profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the fixed assets. Depreciation of fixed assets is provided using the straight line method over their estimated useful lives, after taking into account estimated residual values. The estimated useful lives and residual values are as follows:

	Estimated useful life	**Estimated residual value**
Land use rights outside Hong Kong		
— on medium term lease	over the lease period of 20 to 50 years	Nil
Building and site improvement outside Hong Kong		
— on medium term lease	20 years	Nil to10 per cent
— on short lease	5 years	Nil
Land, buildings and site improvements in Hong Kong		
— on medium term lease	20 to 50 years	Nil
— on short lease	1 to 5 years	Nil
Plant and machinery	5 to 10 years	Nil to 10 per cent
Furniture, fittings and office equipment	5 to 10 years	Nil to 10 per cent
Motor vehicles	5 years	Nil to 10 per cent

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Fixed assets *(continued)*

Assets under construction are stated at cost which includes all construction costs and other direct costs, including borrowing costs capitalised, attributable to the assets under construction. They are not depreciated until the construction is complete and the assets are brought into use.

Plant and machinery are not depreciated until they are brought into use upon the commencement of subsidiaries' commerical operation. Assets under finance leases are depreciated using the straight line method over the shorter of the respective lease terms and their estimated useful lives. Assets under hire purchase contracts are depreciated using the straight line method over their estimated useful lives.

Gain or loss on disposal of fixed assets is determined as the difference between the net disposal proceeds and the carrying amount of the assets and is dealt with in the profit and loss account.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, where applicable, direct labour, and an appropriate portion of all production overhead expenditure and all other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost of completion and selling expenses.

(i) Patents

Patents represent the cost of acquiring rights to technical know-how for the production and sale of new products. The cost is amortised, using the straight line method, over their expected future economic lives of 10 to 30 years.

Notes to the Accounts *(continued)*

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Pre-operating expenditure

Pre-operating expenditure incurred by subsidiaries prior to their commencement of commercial operations is regarded as expenditure necessarily incurred in placing these subsidiaries in a suitable condition to receive and process orders on a commercial basis. Such expenditure is capitalised to the extent that they are expected to be recovered from future revenues, and is amortised, using the straight line method, over 5 years from the dates of commencement of commercial operations of these subsidiaries.

(k) Other deferred expenses

Other deferred expenses represent expenses with expected future economic lives of more than one year. The cost is amortised, using the straight line method, over their expected future economic lives of 2 to 30 years.

(l) Assets under leases

i. *Finance leases*

Leases that transfer to the Group substantially all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the assets is recorded together with the obligation, excluding the interest element, to pay future rentals. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

ii. *Hire purchase contracts*

Assets held under hire purchase contracts and the related obligations are recorded in the balance sheet at the date of acquisition at the fair value of the assets. The hire purchase interest, which represents the excess of the instalments paid over the fair value of the assets, is charged to the profit and loss account in proportion to the capital balances outstanding.

iii. *Operating leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Deferred tax

Deferred tax is accounted for at the current tax rate in respect of timing differences between profit as computed for tax purposes and profit as stated in the financial statements to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

(n) Currencies other than United States dollars ("US$")

Transactions in currencies other than US$ are translated into US$ at the rates of exchange ruling on the transaction dates or at the contracted settlement rate. Monetary assets and liabilities expressed in currencies other than US$ at the balance sheet date are translated into US$ at the rate of exchange ruling on the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associated companies expressed in currencies other than US$ are translated into US$ at the rates of exchange ruling on the balance sheet date for balance sheet items and at monthly average rates for the profit and loss account. Exchange differences arising on consolidation, if any, are dealt with in reserves.

(o) Retirement benefit costs

In respect of the subsidiaries in the People's Republic of China (the "PRC"), the Group contributes to a State-sponsored retirement benefit scheme operated by the PRC government.

For other companies of the Group, the Group contributes to defined contribution retirement schemes which are available to certain employees. The assets of these schemes are held separately and managed by independent trustees. The amount of the Group's contributions, net of any contributions forfeited in respect of those employees who leave the schemes prior to vesting fully in the contributions, are charged to the profit and loss account as incurred.

Notes to the Accounts *(continued)*

4. TURNOVER

Turnover represents sales from container manufacturing, container depot and terminal, and mid-stream operations, less returns and allowances, and is analysed as follows:

	1998	1997
	US$'000	*US$'000*
Container manufacturing operations	**119,540**	122,814
Container depot and terminal operations	**19,238**	18,748
Mid-stream operation	**8,819**	13,887
	147,597	155,449

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	1998	1997
	US$'000	*US$'000*
Crediting:		
Gain on disposal of fixed assets	**—**	386
Bank interest income	**491**	310
Charging:		
Auditors' remuneration	**352**	314
Amortisation of patents	**474**	115
Amortisation of pre-operating expenditure	**1,954**	1,526
Amortisation of other deferred expenses	**139**	294
Depreciation		
— Owned fixed assets	**4,037**	4,925
— Assets held under finance leases and hire purchase contracts	**1,136**	947
Interest expenses		
— Bank loans and overdrafts wholly repayable within five years	**3,593**	3,931
— Finance leases and hire purchase contracts	**356**	286
Loss on disposal of fixed assets	**105**	—
Net exchange loss	**7**	162
Operating lease charges		
— Land and buildings	**4,090**	8,701
— Plant and machinery	**464**	2,217
Retirement benefit costs *(note 7)*	**1,288**	1,174

Notes to the Accounts *(continued)*

6. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

	1998 **US$'000**	1997 US$'000
Directors' emoluments		
Fees:		
Executive	**51**	26
Non-executive	**39**	13
	90	39
Other emoluments:		
Executive:		
Salaries and other benefits	**469**	407
Retirement benefit costs	**8**	9
	477	416
	567	455

The directors' emoluments were within the following bands:

	1998 **Number of directors**	1997 Number of directors
US$ Nil – US$129,097 (HK$ Nil – HK$1,000,000)	**5**	7
US$129,098 – US$193,646 (HK$1,000,001 – HK$1,500,000)	**—**	1
US$193,647 – US$258,194 (HK$1,500,001 – HK$2,000,000)	**1**	1
US$258,195 – US$322,743 (HK$2,000,001 – HK$2,500,000)	**1**	—

Notes to the Accounts *(continued)*

6. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(continued)*

The above analysis includes 2 (1997: 2) individuals whose emoluments were among the five highest in the Group. Details of the aggregate emoluments paid to the remaining individuals whose emoluments were among the five highest in the Group and which have not been included in directors' emoluments above are set out below:

	1998	1997
	US$'000	*US$'000*
Salaries and other benefits	**295**	327
Retirement benefit costs	**7**	13
	302	340

Their emoluments were within the band between US$Nil and US$129,097 (1997: between US$Nil and US$129,097)

Details of the Share Option Scheme are set out in note 21. No options under the scheme were exercised during the year.

7. RETIREMENT BENEFIT COSTS

The Group operates defined contribution retirement schemes for certain employees in Hong Kong. The assets of the schemes are held separately and managed by independent trustees. Under the rules of the schemes, the employer and its employees are each required to make contributions to the schemes at rates specified in the rules. These schemes are registered under the Occupational Retirement Scheme Ordinance. Any amount unvested upon an employee ceasing to be a member shall be forfeited and used to offset subsequent employer's contributions.

The employees of subsidiaries in the PRC are members of a State-sponsored retirement benefit scheme operated by the government in the PRC. Subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit scheme. Obligations under the scheme are borne by the PRC Government.

No retirement benefit is provided to the employees of a subsidiary in the Republic of Indonesia ("Indonesia").

Notes to the Accounts *(continued)*

7. RETIREMENT BENEFIT COSTS *(continued)*

The retirement benefit costs charged to the profit and loss account representing contributions payable by the Group to the defined contribution retirement schemes operated in Hong Kong and the retirement benefit scheme in the PRC amounted to US$1,288,000 (1997: US$1,174,000). Contributions totalling US$112,000 (1997: US$129,000) were payable to the retirement schemes at the year-end and are included in creditors.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of US$42,000 (1997: US$70,000) were used to reduce the current year's contributions.

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.0 per cent (1997: 16.5 per cent) 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.

	1998	1997
	US$'000	*US$'000*
Company and subsidiaries:		
Hong Kong profits tax		
— current year provision	**3**	—
— over provision in prior years	**—**	(3)
Overseas taxation	**639**	278
Deferred tax *(note 24)*	**(7)**	(219)
	635	56

Deferred tax (credits)/charges for the year have not been provided in respect of the following:

	1998	1997
	US$'000	*US$'000*
Accelerated depreciation allowances	**(71)**	(48)
Tax losses	**(20)**	80
	(91)	32

Notes to the Accounts *(continued)*

9. NET PROFIT FOR THE YEAR

Net profit for the year is dealt with in the financial statements of the Company to the extent of a profit of US$393,000 (1997: a loss of US$816,000) and a profit of US$362,000 (1997: US$67,000) is retained by associated companies.

10. DIVIDEND

The directors do not recommend the payment of a dividend for the year (1997: Nil).

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of US$1,548,000 (1997: US$653,000) and 456,001,760 ordinary shares in issue (1997: weighted average number of 456,001,374 ordinary shares) throughout the year. Diluted earnings per share is not presented as the exercise price of the Company's outstanding share options and warrants, if appropriate, is higher than the fair value per share throughout the year.

12. FIXED ASSETS

Group	**Assets under construction**	**Land and buildings**	**Plant and machinery**	**Furniture, fittings and office equipment**	**Motor vehicles**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost						
At 1st January, 1998	55	30,901	27,739	5,746	3,498	67,939
Additions	497	543	1,535	159	195	2,929
Disposals	(61)	(75)	(1,099)	(73)	(372)	(1,680)
Reclassification	(354)	67	127	55	105	—
Translation differences	—	2	1	—	—	3
At 31st December, 1998	137	31,438	28,303	5,887	3,426	69,191
Accumulated depreciation						
At 1st January, 1998	—	4,141	7,773	2,972	2,294	17,180
Charge for the year	—	1,399	2,547	758	469	5,173
Eliminated on disposals	—	(7)	(439)	(46)	(299)	(791)
At 31st December, 1998	—	5,533	9,881	3,684	2,464	21,562
Net book value						
At 31st December, 1998	**137**	**25,905**	**18,422**	**2,203**	**962**	**47,629**
At 31st December, 1997	55	26,760	19,966	2,774	1,204	50,759

The net book value of plant and machinery held under finance leases and hire purchase contracts amounted to US$10,367,000 (1997: US$10,033,000).

Notes to the Accounts *(continued)*

12. FIXED ASSETS *(continued)*

The net book value of land and buildings is analysed as follows:

Group	Land use rights	Land and buildings	Site improvements	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Held in Hong Kong				
On short lease (less than 10 years)	—	—	320	320
On medium term lease (10 to 50 years)	—	84	—	84
Held outside Hong Kong				
On short lease (less than 10 years)	—	—	112	112
On medium term lease (10 to 50 years)	2,316	6,913	16,160	25,389
	2,316	**6,997**	**16,592**	**25,905**

Land and buildings held outside Hong Kong with an aggregate net book value of US$6,051,000 as at 31st December, 1998 (1997: US$6,113,000) were pledged as security for loan facilities granted by banks to a subsidiary company in Indonesia. The amount of facilities utilised as at 31st December, 1998 was US$2,925,000 (1997: US$3,435,000).

Company	Furniture, fittings and office equipment
	US$'000
Cost	
At 1st January, 1998	862
Additions	71
Disposals	(9)
At 31st December, 1998	924
Accumulated depreciation	
At 1st January, 1998	397
Charge for the year	202
Eliminated on disposals	(3)
At 31st December, 1998	596
Net book value	
At 31st December, 1998	**328**
At 31st December, 1997	465

Notes to the Accounts *(continued)*

13. INTERESTS IN SUBSIDIARIES

	Company	
	1998	1997
	US$'000	*US$'000*
Unlisted shares and investments, at cost	**31,781**	31,781
Amounts due from subsidiaries	**42,337**	46,497
Amounts due to subsidiaries	**(9,987)**	(3,067)
	64,131	75,211

The amounts due from/to subsidiaries are unsecured and have no fixed terms of repayment. Included in the amounts due from subsidiaries is an amount of US$16,942,000 (1997: US$17,249,000) which bears interest at a spread of no more than 0.25 per cent per annum over the cost of funds of the Company. The amounts due to subsidiaries and the remaining portion of amounts due from subsidiaries are interest free.

As at 31st December, 1998, the Company had advanced, for general funding purposes and on a pro rata basis with the minority shareholders, a loan of US$5.8 million to one of its subsidiaries, Singamas Refrigerated Container Ltd., which is 59.2 per cent owned by the Company. The remaining 40.8 per cent shareholdings in this subsidiary are held by parties not related to the Group. This loan is unsecured, interest free and has no fixed terms of repayment.

Particulars of principal subsidiaries as at 31st December, 1998 are set out below:

Name	**Place of incoporation/ registration**	**Group equity interest**	**Issued and paid up capital**	**Principal activities**
Abacus International Finance Ltd.*	British Virgin Islands	100%	US$1,000	Provision of financial services and marketing of dry freight and specialised containers in the PRC
DY Terminal Ltd.	Hong Kong	100%	HK$1,000,000	Provision of container storage and repair services

13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incoporation/ registration	Group equity interest	Issued and paid up capital	Principal activities
Eng Kong Container & Warehousing Ltd.	Hong Kong	73.3%	HK$300,000	Investment holding
Eng Kong Container Services Ltd.	Hong Kong	73.3%	HK$3,000,000	Provision of container storage, drayage and repair services
Masda Engineering Co., Ltd.	Hong Kong	73.3%	HK$10,000	Provision of container repair services
P.T. Java Pacific Container Factory	Republic of Indonesia	72%	US$10,000,000	Manufacturing of dry freight and specialised containers
Shandong International Singamas Container Co., Ltd.#	People's Republic of China	60%	US$2,000,000	Provision of container storage and repair services
Shanghai Pacific International Container Co., Ltd.*#	People's Republic of China	60%	US$18,000,000	Manufacturing of dry freight containers
Shanghai Reeferco Container Co., Ltd.#	People's Republic of China	57.7%	US$10,000,000	Manufacturing of refrigerated containers
Shanghai Singamas Container Transportation Co., Ltd.#	People's Republic of China	60%	US$9,000,000	Provision of container storage and repair services
Singamas Container Holdings Ltd.*	Bahamas	100%	US$7,200,000	Investment holding and marketing of dry freight and specialised containers in Indonesia
Singamas Container Industry Co., Ltd.*#	People's Republic of China	75%	US$5,100,000	Manufacturing of collapsible flatrack containers and container parts

Notes to the Accounts *(continued)*

13. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incoporation/ registration	Group equity interest	Issued and paid up capital	Principal activities
Singamas Management Services Ltd.*	British Virgin Islands	100%	US$1,000	Provision of management services and marketing of dry freight and specialised containers in the PRC
Singamas Refrigerated Container Ltd*	British Virgin Islands	59.2%	US$100,000	Investment holding
Singamas Terminals (China) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding and marketing of container storage and repair services in the PRC
Singamas Terminals Holdings Ltd.*	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (HK) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (Hong Kong) Ltd.	Hong Kong	100%	HK$5,000,000	Provision of mid-stream services
Singamas Warehouse (Shanghai) Co., Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Tianjin Singamas Container Co., Ltd.#	People's Republic of China	60%	US$2,000,000	Provision of container storage, repair and trucking services, and serving as a freight station
Wellmass Group Ltd.	British Virgin Islands	60%	US$10,000	Investment holding
Xiamen Xiangyu Singamas Container Co., Ltd.#	People's Republic of China	51%	US$3,000,000	Provision of container storage, repair and trucking services, and serving as a freight station

* *Subsidiaries held directly by the Company*

\# *Equity joint venture*

13. INTERESTS IN SUBSIDIARIES *(continued)*

Unless otherwise stated, the principal place of operation of each subsidiary is the same as the country of incorporation/registration stated above.

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the profit and assets of the Group.

14. INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Unlisted shares, at cost	**—**	—	**2,200**	—
Share of net assets	**3,781**	1,209	**—**	—
Amounts due from associated companies	**2,305**	195	**2,243**	91
Amounts due to associated companies	**(338)**	—	**—**	—
	5,748	1,404	**4,443**	91

As at 31st December, 1998, the Group had interests in the following associated companies:

Name	**Place of incorporation/ registration**	**Group equity interest**	**Principal activities**
Capital Barge Ltd.	Hong Kong	36.7%	Dormant
Eng Kong Agency (HK) Ltd.	Hong Kong	29.3%	Provision of container services
Ningbo Victory Container Co., Ltd.#	People's Republic of China	40%	Provision of container storage and repair services
Xiamen Pacific Container Manufacturing Co., Ltd.*#	People's Republic of China	25%	Manufacturing of dry freight and specialised containers

* *Held directly by the Company*

\# *Equity joint venture*

Notes to the Accounts *(continued)*

15. PATENTS

	Group	
	1998	1997
	US$'000	*US$'000*
At 1st January	**1,144**	1,244
Amount capitalised	**—**	15
Amount amortised	**(474)**	(115)
At 31st December	**670**	1,144

16. PRE-OPERATING EXPENDITURE

	Group	
	1998	1997
	US$'000	*US$'000*
At 1st January	**4,350**	5,877
Translation differences	**—**	(1)
Amount capitalised	**70**	—
Amount amortised	**(1,954)**	(1,526)
At 31st December	**2,466**	4,350

17. OTHER DEFERRED EXPENSES

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
At 1st January	**1,084**	1,286	**52**	168
Amount capitalised	**28**	92	**—**	24
Amount amortised	**(139)**	(294)	**(51)**	(140)
At 31st December	**973**	1,084	**1**	52

Notes to the Accounts *(continued)*

18. NET CURRENT ASSETS/(LIABILITIES)

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current assets				
Inventories *(note 19)*	**24,575**	33,717	**—**	—
Accounts receivable	**25,183**	30,030	**—**	—
Prepayments and other receivables	**5,892**	15,914	**224**	238
Amounts due from related companies *(see note below)*	**2,002**	634	**—**	—
Tax recoverable	**2**	2	**—**	—
Bank balances and cash	**18,295**	19,133	**563**	1,127
	75,949	99,430	**787**	1,365
Current liabilities				
Creditors and accruals	**21,746**	33,306	**804**	3,679
Bills payable	**857**	3,262	**686**	1,502
Amount due to a related company *(see note below)*	**487**	—	**367**	39
Bank loans and overdrafts				
— Secured	**3,909**	3,435	**—**	—
— Unsecured	**30,712**	41,262	**10,000**	14,090
Current portion of long term liabilities *(note 23)*	**3,676**	7,486	**1,264**	5,000
Taxation	**249**	67	**—**	—
Dividends payable to minority shareholders	**—**	359	**—**	—
	61,636	89,177	**13,121**	24,310
	14,313	10,253	**(12,334)**	(22,945)

Note: The amounts due from related companies represent trading receivable balances from Pacific International Lines (Private) Limited ("PIL") and Tranpac Shipping Enterprises Ltd. ("Tranpac"), which are subject to normal credit terms, interest free and unsecured. During the year, the maximum outstanding balance due to the Group from PIL was US$1,498,000 (1997: US$6,083,000), the maximum outstanding balance due from the Company to PIL was US$829,000 (1997: US$3,871,000), and the maximum outstanding balance due to the Group from Tranpac was US$541,000 (1997: US$691,000).

Notes to the Accounts *(continued)*

19. INVENTORIES

	Group	
	1998	1997
	US$'000	*US$'000*
Raw materials	**10,937**	19,454
Work in progress	**3,355**	5,512
Finished goods	**10,283**	8,751
	24,575	33,717

Raw materials in an amount of US$1,424,000 (1997: Nil) are carried at net realisable value. The cost of inventories recognised as an expense during the year was US$104,961,000 (1997: US$107,124,000).

20. SHARE CAPITAL

	Number of shares		Company			
	1998	1997	**1998**	**1998**	1997	1997
			US$'000	***HK$'000***	*US$'000*	*HK$'000*
Authorised:						
Ordinary shares of HK$0.10 each	**750,000,000**	750,000,000	**9,637**	**75,000**	9,637	75,000
Issued and fully paid:						
Ordinary shares of HK$0.10 each						
At 1st January	**456,001,760**	456,000,960	**5,854**	**45,600**	5,854	45,600
Exercise of warrants	**—**	800	**—**	**—**	—	—
At 31st December	**456,001,760**	456,001,760	**5,854**	**45,600**	5,854	45,600

21. SHARE OPTION SCHEME

Pursuant to a share option scheme adopted on 17th June, 1993, the Company may offer to full-time employees of the Group (including executive directors of the Company) options to subscribe for ordinary shares in the Company, subject to a maximum of 10 per cent of the issued share capital of the Company from time to time. At 31st December, 1998, there were 3,400,000 share options outstanding (1997: 3,400,000).

Notes to the Accounts *(continued)*

22. RESERVES

Group	Share premium	Exchange translation reserve	General reserve	Development reserve	Accumulated losses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January, 1998						
— The Company and subsidiaries	38,522	214	734	750	(7,862)	32,358
— Associated companies	—	13	—	—	144	157
	38,522	227	734	750	(7,718)	32,515
Exchange translation differences						
— The Company and subsidiaries	—	4	—	—	—	4
— Associated companies	—	10	—	—	—	10
Profit for the year	—	—	—	—	1,548	1,548
Adjustment for investment cost in a subsidiary company acquired in prior year	—	—	—	—	(75)	(75)
Transfer from accumulated losses	—	—	53	41	(94)	—
At 31st December, 1998	**38,522**	**241**	**787**	**791**	**(6,339)**	**34,002**
Attributable to:						
— The Company and subsidiaries	38,522	218	755	771	(6,793)	33,473
— Associated companies	—	23	32	20	454	529
	38,522	241	787	791	(6,339)	34,002

In accordance with the PRC regulations, the general and development reserves retained by the subsidiaries and associated companies in the PRC are non-distributable.

Company	Share premium	Retained profits	Total
	US$'000	*US$'000*	*US$'000*
At 1st January, 1998	38,522	8,498	47,020
Profit for the year	—	393	393
At 31st December, 1998	**38,522**	**8,891**	**47,413**

Distributable reserves of the Company at 31st December, 1998, calculated under section 79B of the Companies Ordinance, amounted to US$8,891,000.

Notes to the Accounts *(continued)*

23. LONG TERM LIABILITIES

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Wholly repayable within five years				
Bank loans				
Secured	**4,300**	—	**4,300**	—
Unsecured	**—**	5,000	**—**	5,000
Obligations under finance leases and hire purchase contracts	**5,097**	6,354	**266**	—
	9,397	11,354	**4,566**	5,000
Amounts due within one year included under current liabilities *(note 18)*				
Bank Loans				
Secured	**(1,200)**	—	**(1,200)**	—
Unsecured	**—**	(5,000)	**—**	(5,000)
Obligations under finance leases and hire purchase contracts	**(2,476)**	(2,486)	**(64)**	—
	(3,676)	(7,486)	**(1,264)**	(5,000)
	5,721	3,868	**3,302**	—

Notes to the Accounts *(continued)*

23. LONG TERM LIABILITIES *(continued)*

The maturity of the Group's and the Company's long term liabilities is as follows:

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Bank loans				
Unsecured				
— within 1st year	**—**	5,000	**—**	5,000
Secured				
— within 1st year	**1,200**	—	**1,200**	—
— in the 2nd year	**1,200**	—	**1,200**	—
— more than 2 years but not exceeding 5 years	**1,900**	—	**1,900**	—
	4,300	5,000	**4,300**	5,000
Obligations under finance leases and hire purchase contracts				
— within 1st year	**2,476**	2,486	**64**	—
— in the 2nd year	**1,782**	2,484	**69**	—
— more than 2 years but not exceeding 5 years	**839**	1,384	**133**	—
	5,097	6,354	**266**	—
	9,397	11,354	**4,566**	5,000

Notes to the Accounts *(continued)*

24. DEFERRED TAX

	Group	
	1998	1997
	US$'000	*US$'000*
At 1st January	**7**	226
Credit for the year *(note 8)*	**(7)**	(219)
At 31st December	**—**	7
Provided in the accounts in respect of:		
Accelerated depreciation allowances	**—**	7
Other timing differences	**—**	—
	—	7

At the balance sheet date, the major components of potential deferred tax (assets)/liabilities not accounted for in the financial statements were as follows:

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Accelerated depreciation allowances	**134**	205	**17**	34
Tax losses	**(2,136)**	(2,116)	**(712)**	(629)
	(2,002)	(1,911)	**(695)**	(595)

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Notes to the Accounts *(continued)*

25. CONTINGENT LIABILITIES

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Guarantees for lease and bank facilities on behalf of subsidiaries	**—**	—	**12,882**	14,073
Others	**1,208**	—	**—**	—
	1,208	—	**12,882**	14,073

26. CAPITAL COMMITMENTS

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Capital expenditure in respect of the acquisition of fixed assets authorised but not contracted for	**51**	4,250	**—**	4,250

Notes to the Accounts *(continued)*

27. LEASE COMMITMENTS

	Group		Company	
	1998	1997	**1998**	1997
	US$'000	*US$'000*	***US$'000***	*US$'000*
Operating lease commitments at 31st December payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:				
Land and buildings				
— expiring in the 1st year	**1,056**	327	**—**	5
— expiring in the 2nd to 5th years inclusive	**903**	3,571	**243**	243
— expiring after the 5th year	**—**	341	**—**	—
	1,959	4,239	**243**	248
Other equipment				
— expiring in the 1st year	**—**	401	**—**	—
— expiring in the 2nd to 5th years inclusive	**—**	94	**—**	—
	—	495	**—**	—
	1,959	4,734	**243**	248

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	1998	1997
	US$'000	*US$'000*
Profit before taxation	**2,756**	2,402
Depreciation	**5,173**	5,872
Loss/(Gain) on disposal of fixed assets	**105**	(386)
Share of results of associated companies	**(362)**	(139)
Amortisation of patents	**474**	115
Amortisation of pre-operating expenditure	**1,954**	1,526
Amortisation of other deferred expenses	**139**	294
Decrease in inventories	**9,142**	5,225
Decrease/(Increase) in accounts receivable	**4,847**	(5,091)
Decrease in prepayments and other receivables	**10,022**	1,454
(Increase)/Decrease in net amounts due from related companies	**(881)**	4,550
(Decrease)/Increase in creditors and accruals	**(11,461)**	8,067
Decrease in bills payable	**(2,405)**	(1,379)
Interest element of finance leases and hire purchase contracts rental payments	**356**	286
Interest income	**(491)**	(310)
Interest expense	**3,593**	3,931
Effect of foreign exchange rate changes	**—**	1
Net cash inflow from operating activities	**22,961**	26,418

Notes to the Accounts *(continued)*

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Share capital including premium	Bank loans *(note)*	Obligations under finance leases and hire purchase contracts	Minority interests	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1st January, 1998	44,376	16,330	6,354	26,750	93,810
New bank loans	—	38,840	—	—	38,840
Repayment of bank loans	—	(39,393)	—	—	(39,393)
Inception of finance leases and hire purchase contracts	—	—	1,593	—	1,593
Repayment of finance leases and hire purchase contracts	—	—	(2,850)	—	(2,850)
Increase in investment in a subsidiary company	—	—	—	(126)	(126)
Minority share of profit for the year	—	—	—	573	573
Dividends paid and payable	—	—	—	(976)	(976)
Minority share of exchange translation reserve	—	—	—	1	1
Balance at 31st December, 1998	**44,376**	**15,777**	**5,097**	**26,222**	**91,472**

Note: The balance included long term bank loans of US$4,300,000 (1997: US$5,000,000) and short term bank loans and overdrafts of US$34,621,000 (1997: US$44,697,000) of which US$23,144,000 (1997: US$33,367,000) were repayable within three months from the date of the advances.

Notes to the Accounts *(continued)*

29. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties, which in the opinion of the directors were carried out in ordinary course of the Group's business:

	1998	1997
	US$'000	*US$'000*
Sales to related companies *(note a)*	**6,846**	28,929
Service fees charged by related companies *(note a)*	**667**	182
Rental and management fee received from a related company *(note b)*	**—**	74
Rental paid to a related company *(note c)*	**34**	—

Notes:

(a) Sales to related companies and service fee charged by related companies, were conducted in the normal course of business at market prices and on terms no less favourable than those charged to and contracted with other third party customers and suppliers of the Group. The related companies are PIL, a related company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests and Tranpac, a company in which PIL has a 100 per cent effective interest.

(b) The Company sub-leased an office space to Tranpac under a tenancy agreement for a period of 1 year commenced from 1st November, 1996 at a monthly rental of US$6,989 and a monthly management fee of US$1,035. The agreement was entered into on normal commercial terms and was expired on 31st October, 1997. Rental was charged at cost based on the allocation of floor space.

(c) PIL leased an office space to Singamas Terminals (China) Ltd. under a tenancy agreement for a period of 2 years, which commenced from 1st January, 1998 at a monthly rental of US$2,849. The agreement was entered into on normal commercial terms and at market rate.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31st December				
	1998	1997	1996	1995	1994
	%	%	%	%	%
Sales Mix (as a percentage of sales)					
Container manufacturing operations:					
Dry freight	**62**	64	67	88	83
Collapsible flatracks and container parts	**10**	7	6	4	2
Refrigerated containers	**9**	8	3	—	—
	81	79	76	92	85
Container depot and terminal operations:					
Hong Kong	**6**	6	10	6	15
The People's Republic of China	**7**	6	5	2	—
	13	12	15	8	15
Mid-stream operations:					
Hong Kong	**6**	9	9	—	—
Total	**100**	100	100	100	100

	TEUs	*TEUs*	*TEUs*	*TEUs*	*TEUs*
Production volume					
20 foot containers	**27,315**	30,709	21,305	32,674	18,425
40 foot containers	**35,840**	30,978	25,864	53,700	39,852
	63,155	61,687	47,169	86,374	58,277

FIVE YEAR FINANCIAL SUMMARY *(continued)*

	For the year ended 31st December				
	1998	1997	1996	1995	1994
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover	**147,597**	155,449	128,534	191,569	143,601
Operating profit/(loss)	**2,394**	2,263	(9,865)	1,939	12,066
Share of results of associated companies	**362**	139	77	(30)	125
Profit/(Loss) before taxation	**2,756**	2,402	(9,788)	1,909	12,191
Taxation	**(635)**	(56)	(183)	(720)	(1,378)
Profit/(Loss) after taxation	**2,121**	2,346	(9,971)	1,189	10,813
Minority interests	**(573)**	(1,693)	1,048	(911)	(3,371)
Net profit/(loss) for the year	**1,548**	653	(8,923)	278	7,442
Earnings/(Loss) per share					
Basic	**0.34 cent**	0.14 cent	(2.21) cent	0.08 cent	2.27 cent
Diluted	**N/A**	N/A	N/A	N/A	N/A
Assets and Liabilities					
Total assets	**133,435**	158,171	161,660	170,101	121,931
Total liabilities	**67,357**	93,052	97,394	103,341	62,455
Minority interests	**26,222**	26,750	25,521	25,715	18,346
Shareholders' funds	**39,856**	38,369	38,745	41,045	41,130