SINGAMAS

勝獅貨櫃企業有限公司
SINGAMAS CONTAINER HOLDINGS LIMITED

container manufacturing

mid-stream

container depots/terminals

Annual Report 2003

logistics

container manufacturing

mid-stream

container manufacturing

Contents

Singamas Operations

Factories	Tianjin *(Dry Freight & Specialised Containers)* Qingdao *(Dry Freight & Specialised Containers)* Shanghai: Shanghai Pacific *(Dry Freight Containers)* Shanghai Baoshan *(Dry Freight & Specialised Containers)* Shanghai Reeferco *(Refrigerated Containers)* Yixing *(Collapsible Flatrack, Other Specialised Containers & Container Parts)* Xiamen *(Dry Freight & Specialised Containers)* Shunde *(Dry Freight & Specialised Containers)* Surabaya *(Dry Freight & Specialised Containers)*	**Depots / Terminals**	Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen, Hong Kong, Shunde, Laemchabang
		Mid-Stream	Hong Kong
		Logistics	Xiamen

Corporate Profile

Singamas was listed on The Stock Exchange of Hong Kong Limited in 1993 and the Singapore Stock Exchange Limited in 1994. Through a decade of development, we have evolved into one of the world's leading container manufacturers and logistics service providers. Our container factory and depot networks are the most comprehensive in the People's Republic of China (the "PRC").

Our manufacturing business covers nine container factories, eight in the PRC, and one in Surabaya, the Republic of Indonesia. Products manufactured in these factories include dry freight containers, collapsible flatrack containers, open top containers, bitutainers, refrigerated containers, other specialised containers and container parts.

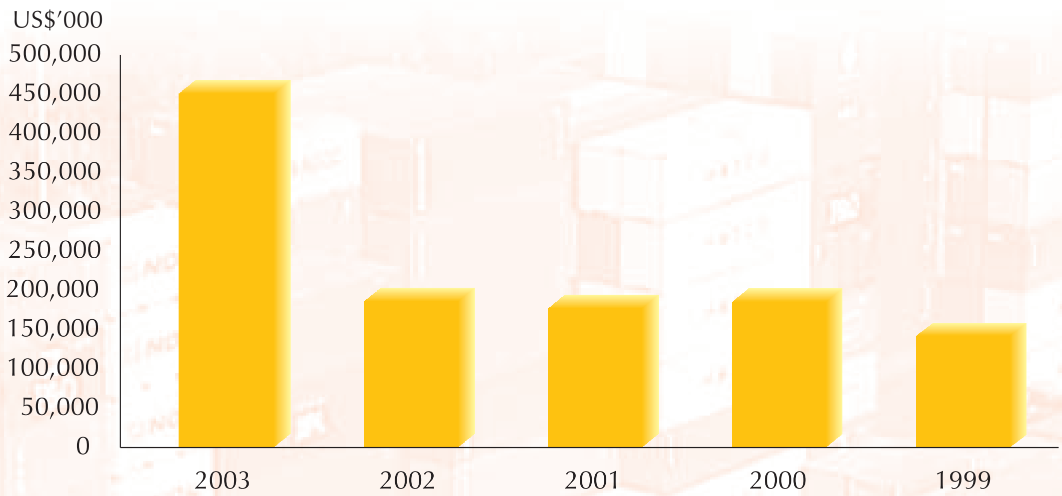
Our logistics business includes operating container depots/terminals, mid-stream and container logistics company. We are running eleven container depots/terminals, eight located at the major ports in the PRC - Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen and Shunde, two in Hong Kong and one in Laemchabang, Thailand. We also operate a mid-stream operation in Hong Kong and a logistics company in Xiamen, the PRC.

Financial Highlights

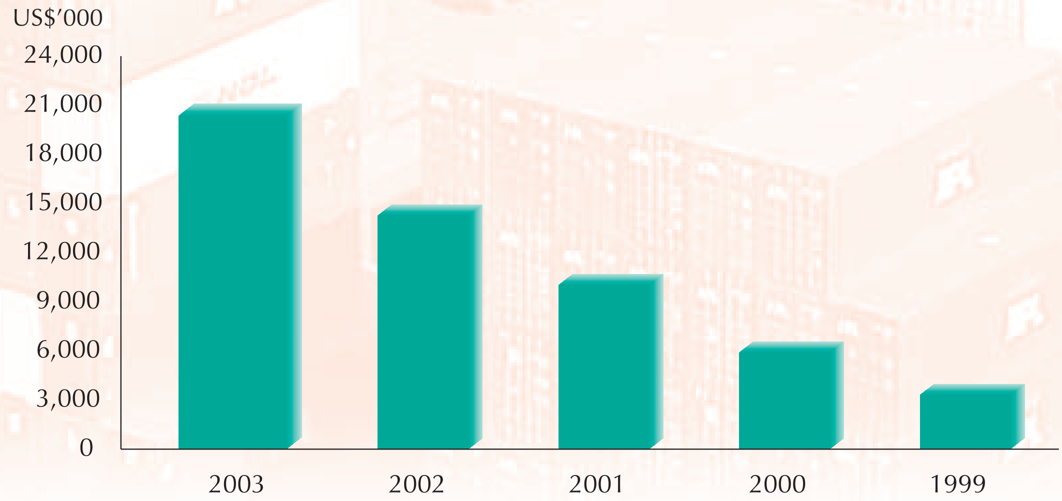
	2003 (US$)	2002 (US$)	2001 (US$)	2000 (US$)	1999 (US$)
Turnover	450,712,000	180,637,000	171,962,000	179,720,000	138,056,000
Profit from operations	29,723,000	15,194,000	19,395,000	12,990,000	7,054,000
Net profit for the year	20,370,000	14,689,000	10,313,000	6,082,000	3,424,000
Earnings per share	4.07 cents	3.22 cents	2.26 cents	1.33 cents	0.75 cent
Net asset value per share	19.98 cents	15.67 cents	12.70 cents	10.49 cents	9.11 cents
Shareholders' funds	104,378,000	71,445,000	57,919,000	47,815,000	41,526,000
Bank balances and cash	44,485,000	21,567,000	18,424,000	16,544,000	15,235,000
Total borrowings *(Note)*	119,203,000	58,059,000	57,045,000	64,071,000	52,360,000
Current ratio	1.30 to 1	1.28 to 1	1.20 to 1	1.13 to 1	1.09 to 1
Gearing ratio	1.14	0.81	0.98	1.34	1.26
Net debt to equity ratio	0.72	0.51	0.67	0.99	0.89
Interest coverage ratio	11.45	16.65	7.73	4.67	4.39

Note: Total borrowings represent the aggregate amount of interest-bearing borrowings.

Turnover

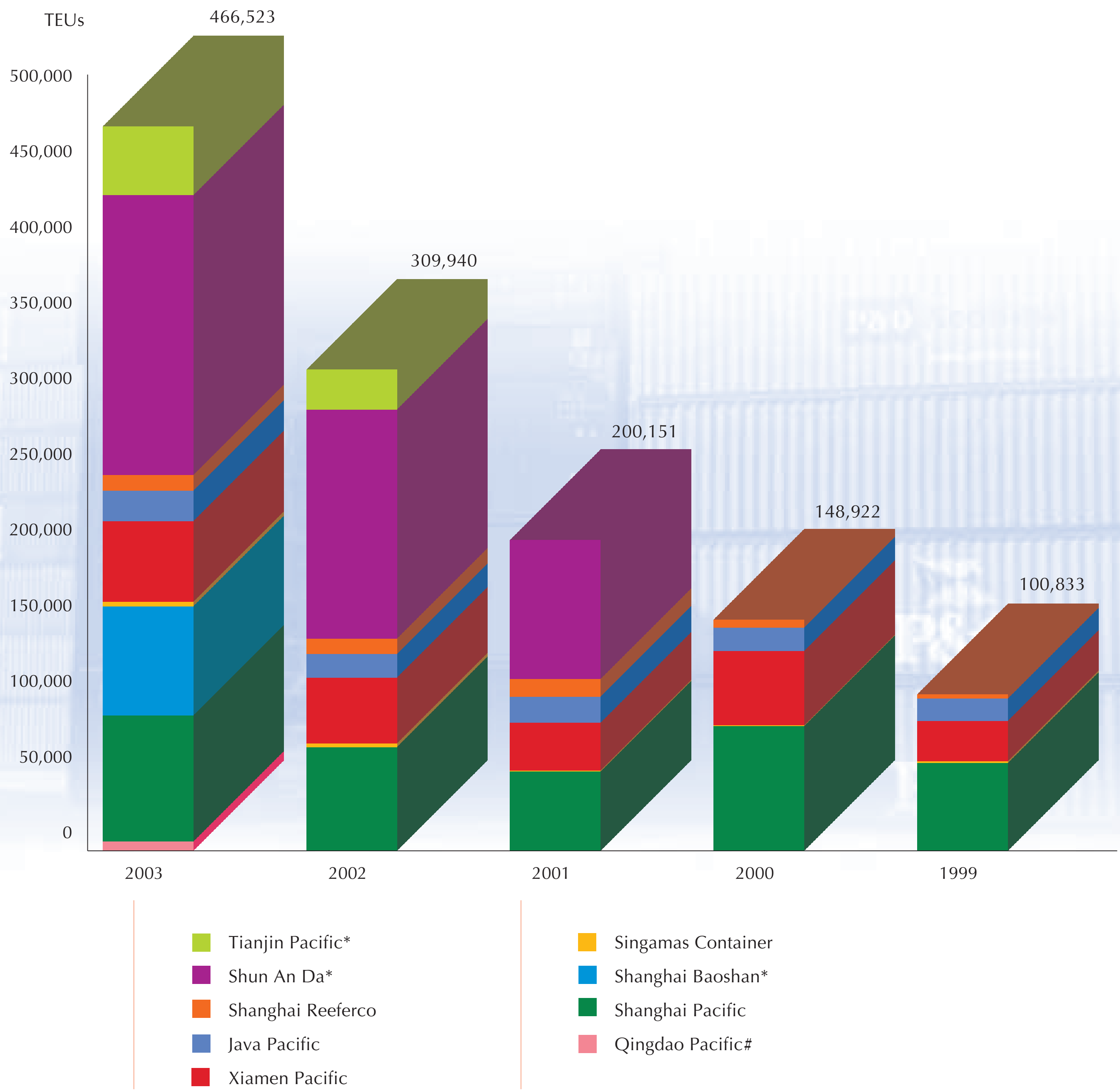


Net Profit for the Year



Financial Highlights *(Continued)*

Production Output

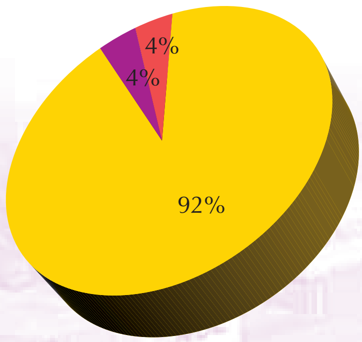


** The Company acquired Shanghai Baoshan in January 2003, Tianjin Pacific in November 2001 and Shun An Da in February 2001.*

 # Construction of Qingdao Pacific was completed in October 2003 and the factory has commenced commercial operations in January 2004.

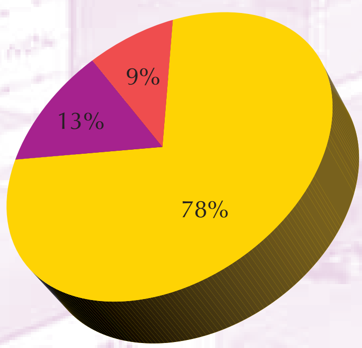
Financial Highlights *(Continued)*

Turnover by Business Segment



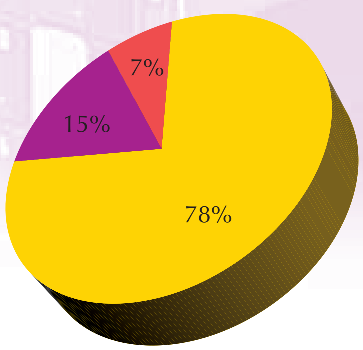
For the year ended 31st December, 2003

- Container Manufacturing
- Container Depot/Terminal
- Mid-stream



For the year ended 31st December, 2002

- Container Manufacturing
- Container Depot/Terminal
- Mid-stream

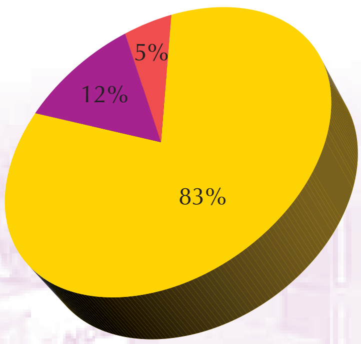


For the year ended 31st December, 2001

- Container Manufacturing
- Container Depot/Terminal
- Mid-stream

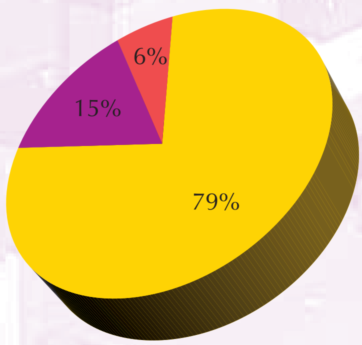
Financial Highlights *(Continued)*

Turnover by Business Segment *(continued)*



For the year ended
31st December, 2000

- Container Manufacturing
- Container Depot/Terminal
- Mid-stream



For the year ended
31st December, 1999

- Container Manufacturing
- Container Depot/Terminal
- Mid-stream

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#

Independent Non-Executive Directors
Mr. Ngan Man Kit, Alexander
Mr. Ong Ka Thai#
Mr. Soh Kim Soon#

Audit Committee Member

Company Secretary
Ms. Tam Shuk Ping, Sylvia

Solicitors
Cheung, Tong & Rosa
Rooms 1621-33, 16th Floor
Sun Hung Kai Centre
30 Harbour Road
Hong Kong

Public Relations Consultant
Strategic Financial Relations Limited
Unit A, 29th Floor, Admiralty Centre 1
18 Harcourt Road
Hong Kong

Registered Office
22nd Floor, Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

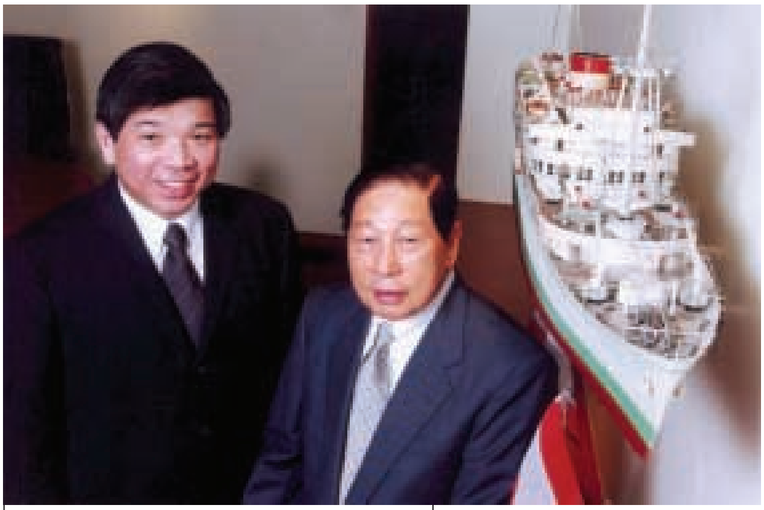
Share Registrar
Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

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

Principal Bankers
Bangkok Bank Public Company Limited
Bank of China (Hong Kong) Limited
Banco Bilbao Vizcaya Argentaria, S.A.
China Construction Bank
CITIC Ka Wah Bank Limited
DBS Bank Ltd.
Fortis Bank Asia HK
HSH Nordbank AG
Hang Seng Bank Limited
ING Bank N.V.
Industrial and Commercial Bank of China (Asia) Limited
KBC Bank N.V.
Mizuho Corporate Bank, Limited
Nanyang Commercial Bank, Limited
Overseas-Chinese Banking Corporation Limited
The Bank of Nova Scotia
The Bank of Tokyo-Mitsubishi, Ltd.
UFJ Bank Limited
United Overseas Bank Limited

Websites
http://www.singamas.com
http://www.irasia.com/listco/hk/singamas
http://www.quamnet.com/fcgi-bin/ir/ipo.fpl?par2=2&par4=0716

Chairman's Statement



Mr. Teo Siong Seng *President & Chief Executive Officer*	**Mr. Chang Yun Chung** *Chairman*

TO OUR SHAREHOLDERS

On behalf of the Board of Directors ("Directors"), I have great pleasure in presenting the operating results of Singamas Container Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2003.

Singamas has been able to achieve continual growth for seven consecutive years. The Group reported a consolidated turnover of US$450,712,000 for the year ended 31st December, 2003, representing an increase of 149.5 per cent. from that of last year. Consolidated net profit increased by 38.7 per cent. to US$20,370,000. Basic earnings per share reached US4.07 cents, comparing to US3.22 cents of last year.

DIVIDEND

In view of these positive results, the Directors proposed to pay a final dividend of HK6 cents per ordinary share for the year ended 31st December, 2003 to members whose names appear on the Register of Members of the Company on 19th May, 2004. Together with the interim dividend of HK3 cents, total dividend for the year was HK9 cents (2002: HK6 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be sent to shareholders on or before 30th June, 2004.

BUSINESS REVIEW

The Iraqi War and the Severe Acute Respiratory Syndrome outbreak during the year have masked uncertainties over the global economy. The PRC export market, however, continued to experience strong growth during the year, from which Singamas was able to benefit. The high demand for new containers and depot/terminal services during the year was attributable to the increased trade activities and container throughput at major PRC ports.

In 2003, the Group continued its focus on strengthening its core businesses. At the same time, strategic acquisitions and joint venture operations were undertaken aiming at business growth through gradual expansion. These strategic moves have further enhanced our comprehensive network of container factories, along major coastal port cities of the PRC, and our multi-location delivery capability. The results of which have been positively reflected in the Group's overall performance. Riding on our solid foundations, we strongly believe our strategic business direction will enable us to benefit substantially from the rapid economic expansion in the PRC in the years to come.

CONTAINER MANUFACTURING

Accounting for 92.2 per cent. of the Group's total turnover, container manufacturing continues to be the Group's core business. Being the major growth driver of the Group, our container manufacturing operations registered a turnover of US$415,572,000 in 2003, compared to US$141,420,000 in 2002. Profit before taxation and minority interests increased 65.5 per cent. to US$23,011,000. Group production, including those produced by our associates and jointly controlled entities, reached 466,523 twenty-foot equivalent units ("TEUs") in 2003, an increase of 50.5 per cent. from 2002.

Improved profit was attributable to the higher demand for new containers in the region. High demand coupled with rising material costs have also led to rising container prices, which have been on the downtrend for years, and further enhanced this business sector's profit.

Substantial increase in turnover was mainly due to the turnover generated by Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da"), formerly known as Shunde Shun An Da Pacific Container Co., Ltd., which has been consolidated into the Group's accounts with effect from January 2003.

Continuous improvement in our financial results not only reflects the favourable market environment, but also the management's outstanding business strategies, pricing decisions and ability in identifying profitable investment opportunities. Listed below were the investments and latest developments made during the year:

- We acquired an additional 35 per cent. equity stake in Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") in January 2003 with our effective interest increased to 74 per cent..

- The acquisition of the additional 36.17 per cent. equity stake in Shanghai Reeferco Container Co., Ltd. ("Shanghai Reeferco") was completed in August 2003, bringing Singamas' total equity stake to 88.64 per cent..

- Construction of the Group's latest factory – Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific") was completed in October 2003 and the factory has commenced commercial operations in January 2004.

- We acquired an additional 10 per cent. equity stake in Shun An Da in November 2003.

Following these acquisitions and business developments, the Group's maximum annual production capacity (based on two production shifts) increased to 640,000 TEUs, which has further strengthened our market position as one of the world's leading container manufacturers.

Shanghai Baoshan is a dry freight and specialised container factory located in Shanghai, the PRC, with a maximum annual production capacity of 100,000 TEUs. After adding this factory into the Group, Singamas now owns two dry freight container factories in Shanghai with an aggregate annual production capacity of 184,000 TEUs. Shanghai Baoshan commenced its commercial operations in January 2003 and has started contributing profits to the Group since the second quarter of 2003.

Shun An Da operates in three production lines with an annual production capacity of 200,000 TEUs. In 2003, we increased our equity interest in Shun An Da to 70 per cent.. Strategically located in Shunde, Guangdong Province, Shun An Da has extended the Group's manufacturing network to the Southern part of the PRC.

Qingdao Pacific is a dry freight and specialised container factory, 55 per cent. owned by the Group and 45 per cent. owned by Hiking Group Co., Ltd. ("Hiking Group"), the largest foreign trade company in Shandong Province, the PRC. The factory is strategically located in the Huangdao District, Qingdao's Economic and Technological Development Zone, and has an annual production capacity of 100,000 TEUs. The factory has fully commenced operations in January 2004. With the addition of this new factory, the Group now has two container manufacturing plants in the Northern part of the PRC, which has further strengthened our container factory network. Our share of Qingdao Pacific's results will be reflected in the Group's accounts starting in 2004. In view of the growing container demand in the area, we are confident that Qingdao Pacific will contribute satisfactorily to the Group's results in the near future.

The Group's other manufacturing facilities also performed well during the year. In particular, Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific") managed to turnaround in 2003. After a series of our restructuring measures since its acquisition in December 2001, Tianjin Pacific contributed positively to the Group starting 2003. Shanghai Reeferco also reported good results during the year. We expect Shanghai Reeferco would make higher contribution to the Group after the completion of our additional acquisition of its 36.17 per cent. stake in August 2003.

Due to the high demand and shortage in supply of steel, steel price has increased substantially by 16.4 per cent. since early 2003, and is expected to further increase in 2004. Nevertheless, Singamas has been able to pass on the cost increase to customers and our 'cost-plus' pricing strategy has proved to be effective. Despite the increase in our selling prices, orders remained strong due to the strong trade growth in the region.

LOGISTICS SERVICES

CONTAINER DEPOTS / TERMINALS

During the year, the Group's container depots / terminals handled a total of 3,809,000 TEUs of containers with an average daily container storage of 116,000 TEUs. Total area and storage capacity add up to about 1.2 million square metres and 160,000 TEUs, respectively. Turnover of the Group's container depot / terminal operations was US$18,090,000, against last year's US$23,593,000. Profit before taxation and minority interests amounted to US$6,352,000, compared to US$4,447,000 recorded in 2002.

The decline in turnover was largely due to the deconsolidation of a subsidiary. In November 2002, Shanghai Singamas Container Transportation Co., Ltd., previously a 60 per cent. owned-subsidiary of the Company, merged with two other companies with similar operating activities to form Shanghai Jifa Logistics Co., Ltd. ("Shanghai Jifa"), in which the Company is now holding 25 per cent. equity interest. The Group, therefore, no longer captures Shanghai Jifa's turnover in its consolidated accounts since the merger. In addition, the underperformance of our Hong Kong container depots also accounted for the drop in turnover.

With the mainland's exports growing in fast pace throughout 2003, especially towards the end of year since exporters were trying to get goods out before VAT refunds on exports are reduced in 2004, container throughput in the PRC was strong with double-digit growth. Shanghai, Qingdao, Tianjin, Ningbo, Xiamen, Dalian and Fuzhou, where the Group's depot operations are located, continued to be among the top ten busiest ports in the PRC with a collective growth rate of 29 per cent. in 2003. In addition, our depots in Shanghai, Xiamen and Ningbo are the leading operators in the respective areas. We are confident that our well-established and comprehensive container depot network will enable the Group to continue enjoying the growth in the area for years to come.

In February 2003, the Group entered into a share transfer agreement and took up an additional 19 per cent. equity interest in Foshan Shunde Leliu Wharf & Container Co., Ltd. ("SLWC"), formerly known as Shunde Leliu Wharf & Container Co., Ltd.. This transaction was completed in April 2003 and the Group's effective interest in SLWC has increased from 40 per cent. to 59 per cent.. SLWC operates an outdoor bonded depot using containers as warehouse to store imported materials and goods. It entered into a five-year tenancy agreement with Formosa Plastic Logistic (HK) Corp. Ltd. ("Formosa"), a subsidiary of a Taiwan based multinational corporation – the Formosa Plastic Group, in July 2003 regarding the leasing of SLWC's outdoor bonded depot for the storage of Formosa's plastic materials, with an estimated monthly volume of no less than 5,000 TEUs of loaded containers. It is expected that Formosa will be using SLWC as its main logistics and warehousing center for its Southern China operations. We believe that the cooperation with Formosa would further enhance the Group's logistics capability and future profitability.

Fuzhou Singamas Container Co., Ltd. ("Fuzhou Singamas"), formerly known as Fuzhou Singamas Warehousing and Trading Co., Ltd., our latest established container depot, commenced operations in April 2003. Fuzhou Singamas is located within the Fuzhou Bonded Zone, close to Fuzhou Mawei Port. With an area of 17,500 sq.m., it has a storage capacity of 2,500 TEUs. With this newly added container depot and our increased stake in SLWC, the Group is well positioned to capture the potential business opportunities arising from the PRC's economic growth.

Due mainly to the reduction in empty container storage business in the area, our Hong Kong's container depot operations, on the other hand, were under-performed during the year. As Hong Kong is an essential location of the Group's container depot network, which extends from Northern PRC to Southeastern Asia, despite their disappointing performance, the Group will continue to operate its Hong Kong container depots. Remedial measures have been implemented during 2003 to reduce losses. The Group expects performance of its Hong Kong container depots would improve in 2004.

MID-STREAM AND LOGISTICS

Increasing trade activities in the Pearl River Delta area has contributed positively to the growth of the Group's mid-stream business. Turnover and profit before taxation and minority interests for this segment amounted to US$17,050,000 and US$2,742,000 respectively, an increase of 9.1 per cent. and 3.6 per cent. compared to last year. During the year, the mid-stream operation handled 330,887 TEUs of containers, compared to 318,966 TEUs last year.

Performance of Xiamen Superchain Logistics Development Co., Ltd. ("Xiamen Superchain"), in which the Company is holding 6.83 per cent. interest, remained satisfactory. In view of the high demand for logistics services in Hong Kong and the PRC, we have been gradually expanding the service scope of our container depot / terminal operations, providing more logistics related services to customers, in order to capture the vast opportunity of the region's logistics market.

PROSPECTS

With the overall economic outlook beginning to improve towards the end of 2003, we look forward to a more prosperous year ahead. Continued growth in export and container throughput at major PRC ports is expected as the nation becomes a major player in the global economy. In view of the increase in the number and size of new container vessels will be coming on stream these few years, we expect demand for new container would remain strong in 2004.

In the coming year, the Group will focus on business consolidation targeting at further improving the overall efficiency and operations management to enhance profitability. At the same time, we will selectively identify profitable investment opportunities. With Qingdao Pacific commencing full operations in January 2004, we expect continuous improvements in the Group's container manufacturing operations. Furthermore, with our comprehensive container factory and depot networks, we are solidly positioned to capture the region's arising opportunities as the PRC economy flourishes.

ACKNOWLEDGEMENT

On behalf of the Group, I would like to extend my sincere gratitude to our customers and business partners for their continuous co-operation and support to Singamas. I would also like to welcome Mr. Ngan Man Kit, Alexander as our Independent Non-Executive Director. In addition, I would like to thank my fellow board members and my colleagues for all their contributions and hard work over the past year. In the future, we will continue our commitment to achieving outstanding results for the Group, and bringing in promising returns for our shareholders.

Chang Yun Chung
Chairman

Hong Kong, 23rd March, 2004

Frequently Asked Questions

1. What are the significant business achievements attained in 2003?

A. In continuation of our business expansions made in the recent years, we have set up a new factory in Qingdao, the PRC and increased our stake in a number of our existing container factories and depots in 2003. After the business developments and expansion made in the last few years, we have established one of the most comprehensive container manufacturing and depot/terminal networks in the PRC. As one of the world's leading container manufacturers, our maximum annual production capacity has further increased to 640,000 TEUs. More importantly, other than the latest factory in Qingdao which has commenced commercial operations in January 2004, all of our investments and acquisitions made in these two years have already started contributing positively to the Group. As a result, the Group's turnover and net profit for the year were record highs at US$450,712,000 and US$20,370,000, respectively.

2. Will the container manufacturing business continue to be the Group's major growth driver in the years to come? Are there any plans to develop the Group's other business divisions and turn them into more significant contributors to the Group?

A. We expect our container manufacturing division would remain our core business and the Group's major growth driver in the foreseeable future.

   Developing and expanding the Group's other business divisions - container depot/terminal and mid-stream divisions, have always been one of our business objectives. In line with this objective, we have invested in new container depots/terminals and have been gradually expanding our service scope in these two divisions in the past few years.

3. The Group has made a number of investments and acquisitions in recent years. Will the Group continue such aggressive acquisition plans in the future?

A. Learned from our past experience, the Group has been very cautious in our expansion plans. In that regard, we do not perceive our acquisition plans made in the recent years being 'aggressive'. In fact, since 1997, all our investments made were well planned and carefully structured, and they all have been profitable. Our business strategy has been only taking a small stake in any new investment initially; we would only increase our stake if our investment decision proves to be correct. Therefore, our business expansion in the recent years has actually been gradual but certainly not aggressive. Our investments have all been made in line with our long-term goal of establishing a comprehensive network of container factories and depots along the major coastal port cities from north to south of the PRC. Our investment strategy has proved to be a success and we will continue this approach for our future investments.

4. What is the Group's future dividend policy?

A. The Group is still expanding and certain portion of our profit has to be retained to fund our expansion plans. Besides, it is one of our objectives for 2004 to pay down our bank borrowings and lower our gearing ratios. We realise the need to provide our shareholders a reasonable return for their investment made in our Company. Our Board of Directors' current guideline on dividend payout ratio is about 25 to 30 per cent. of the Group's consolidated net profit for a year.

5. How has the change in the price of steel affected the Group's container manufacturing business? Has the overall turnover been affected by the increase in container prices?

A. During the year, due to the high demand and shortage in supply of steel, steel price has increased substantially by 16.4 per cent. since early 2003, and is expected to further increase in 2004. Singamas has been able to pass on the cost increase to customers and our 'cost-plus' pricing strategy has proved to be effective. Despite the increase in our selling prices, orders remained strong due to the strong trade growth in the region and as a result, we produced (including those produced by our associates and jointly controlled entities) 466,523 TEUs in 2003, an increase of 50.5 per cent. from 2002.

6. How will the reduction in the value-added tax ("VAT") refund affect the Group's performance in 2004? Apart from the expected increase in tax expenditures, will its impact on the PRC export volume affect the Group's businesses?

A. Since our products are exports, prior to 1st January, 2004, we were not required to pay any VAT. However, with effect from 1st January, 2004, the PRC government reduced the VAT refund rate by 4%; therefore, effectively, Singamas is now required to pay 4% VAT on locally sourced raw materials. Nevertheless, since we import majority of our raw materials, this VAT refund reduction should not have a material impact on us. Besides, our 'cost-plus' pricing strategy has effectively passed any cost increase due to this VAT refund reduction to customers. We do not see any major impact on our businesses from this new policy. Our order book is still healthy and our logistics businesses are still performing well after stepping into 2004.

7. How do the profit margins of specialised containers compare to those of conventional dry freight containers? Will the Group consider enlarging its product mix by manufacturing more specialised containers?

A. Due to less supply, specialised containers have higher margins than conventional dry freight containers. However, at the same time, specialised containers have much less demand. The Group has been proactively enlarging our product mix by producing new types of specialised containers, such as log carriers for railways, car racks and others. Nevertheless, they only account for a small portion of our container manufacturing's turnover as their respective demand is relatively low.

8. With the underperformance of the Hong Kong container depots, what plans does the Group have in mind to improve the situation? When are they most likely to breakeven and start contributing to the Group's profit?

A. We have implemented a series of remedial measures, including cutting down the depot size, terminating employees, reviewing overall operational flow to improve work efficiency and others during 2003 to reduce losses of our Hong Kong container depots. These measures began to take into effect by end of 2003 and we expect performance of our Hong Kong container depots would improve in 2004.

9. Does the Group have any plans to further extend its existing container factory and depot/terminal network to other parts of the region?

A. We have some plans in mind but they are still in their preliminary stage and nothing could be disclosed at the moment. We will make relevant announcements in due course as soon as our plans are materialised.

10. Given the vast business potential existing in the PRC logistics market, will the Group consider strengthening its logistics operations in the region?

A. As a matter of fact, we have been expanding the service scope of our container depots/terminals by providing more logistics related services to our customers to strengthen our logistics operations in the region. Shanghai Jifa, our container depot in Shanghai, has obtained the forwarding licence enabling this depot to perform freight forwarding services. Our other China depots are also in the process of applying for this licence. As we have already established a comprehensive container depot/terminal network along the major coastal ports of the PRC, the Group is well positioned to capture the vast business potential existing in the PRC logistics market.

11. Are there any plans to reduce the Group's gearing ratio?

A. Due to the consolidation of Shun An Da into the Group's accounts after it became a subsidiary of the Company with effect from 1st January, 2003, the Group's consolidated interest-bearing borrowings increased significantly from US$58.1 million of last year to this year's US$119.2 million. Accordingly, the gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over shareholders' funds, reached 1.14 (2002: 0.81) and a net debt to equity ratio, calculated on the basis of the Group's net interest-bearing borrowings (after deducting bank balances and cash of US$44.5 million) over the shareholders' fund, increased to 0.72 (2002: 0.51).

Although the Group's gearing ratios increased substantially in 2003, we feel that they are still healthy and within the acceptable standards of this industry. Nevertheless, in an anticipation of rising interest rates in the near future, we will continue the following measures to lower our gearing ratios:

- to constantly review the credit terms offering to customers and if possible, shorten the credit period;
- to maintain a special task force to monitor and collect the outstanding receivable;
- to further tighten our credit control to ensure only customers with sound financial background would be given credit period;
- to constantly negotiate with suppliers for longer credit period; and
- to review and monitor our inventory status with the aim to maintain overall raw material level at the minimum.

Note: "A" means "Answer".

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*
Mr. Ngan Man Kit, Alexander	*Independent Non-Executive Director*
Mr. Ong Ka Thai*	*Independent Non-Executive Director*
Mr. Soh Kim Soon*	*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 (also known as Teo Woon Tiong), aged 85, 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 Tranpac Shipping Enterprises Limited of Hong Kong. He is also the Chairman of Malaysia Shipping Corporation Sdn. Bhd. of Malaysia, Eastern Maritime (Thailand) Ltd. and Pacific Seatrans Lines Pte. Ltd. of Thailand.

Mr. Teo Siong Seng, *B. Sc. (Naval Architect)*, aged 49, appointed on 20th April, 1993 and became the President and Chief Executive Officer of the Company on 1st February, 1997. Mr. Teo is a son of Mr. Chang Yun Chung and he is also a director of various subsidiaries of the Company. Mr. Teo started his shipping career with the PIL Group in 1979 and was appointed as Managing Director of PIL in October 1992. Mr. Teo is the Executive Director of various PIL subsidiaries and joint venture companies whose activities include shipping, ship management, logistics, air freighting, travel, warehousing, container manufacturing and container depots/logistics center. Mr. Teo is a Council Member of Singapore Chinese Chamber of Commerce & Industry, President of Singapore Shipping Association and Chairman of the newly formed Singapore Maritime Foundation. He sits on the board of Port of Singapore Marine (Pte.) Ltd., Standard Steamship Owners' Protection & Indemnity Association (Bermuda) Limited and Through Transport Mutual Insurance Association Limited.

Mr. Hsueh Chao En, *Dip. Eng.*, aged 51, appointed on 16th May, 1997, joined Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific") in July 1989 and was appointed as Executive Vice President – Manufacturing Operations of the Company on 1st June, 1993. Mr. Hsueh is a director of various subsidiaries of the Company, the Vice President of Shanghai Pacific and is also the General Manager of Xiamen Pacific Container Co., Ltd. and Guangdong Shun An Da Pacific Container Co., Ltd.. Prior to joining the Company, he had over 10 years' experience as a Plant Manager in various container manufacturing plants in Taiwan.

Mr. Teo Tiou Seng, aged 51, appointed on 26th June, 1996 and is also a director of various subsidiaries of the Company. Mr. Teo is a son of Mr. Chang Yun Chung and has been engaged in shipping business since 1977. Mr. Teo graduated and holds a MBA from the University of Western Ontario, Richard Ivey School of Business – the leading business school in Canada. He has more than 21 years of working experience in container transport business and is also a director of PIL and the Managing Director of Pacific International Lines (Hong Kong) Limited.

Mr. Kuan Kim Kin, aged 56, appointed on 15th July, 1998. He is currently 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 23 years holding various key financial, management and accounting positions across diverse business groups, including public listed companies in Malaysia.

Mr. Ngan Man Kit, Alexander, aged 53, appointed as Independent Non-Executive Director of the Company on 1st July, 2003. A Bachelor of Mathematics graduate of University of Waterloo in Canada, Mr. Ngan has over 30 years of experience in private, corporate and investment banking, equity and debt securities trading, corporate advisory services, as well as direct and private equity investment.

Mr. Ong Ka Thai, aged 50, appointed as Independent Non-Executive Director of the Company in May 1997. Mr. Ong is currently the Chairman of a number of companies including Ong First Holdings Co. Ltd., Ong First Pte. Ltd., Ong Commodities Pte. Ltd. and Ong Pacific Capital Ltd.. A Bachelor of Arts (Economics) graduate from the University of California at Los Angeles, Mr. Ong had served as the CEO for a number of multinational joint ventures. Mr. Ong is also a director of Shanghai International Shanghai Growth Investment Ltd., a company listed on The Stock Exchange of Hong Kong Limited. Mr. Ong has over 25 years of 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 investment.

Mr. Soh Kim Soon, aged 58, appointed as Independent Non-Executive Director of the Company on 20th November, 2001. Mr. Soh is currently the Chairman of ORIX Investment and Management Private Limited. He is a B.A. (Hons) graduate of the University of Singapore and an associate of The Chartered Institute of Bankers (United Kingdom). Mr. Soh was previously Senior Managing Director of DBS Bank and was with DBS Bank for more than 29 years. Mr. Soh held key senior positions in DBS Bank in both business and support functions including corporate, consumer and international banking as well as risk management and information technology. He was also previously Chairman of DBS Securities Holding Pte. Ltd., DBS Finance Ltd. and DBS Computer Services Pte. Ltd..

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	Executive Vice President – Manufacturing Operations
Ms. Tam Shuk Ping, Sylvia	Vice President – Finance and Company Secretary
Mr. Chan Kwok Leung, Andy	Director of Marketing and General Manager – Hong Kong Container Depot and Terminal Operations
Mr. Lu Yu Lii, York	General Manager – China Container Depot Operations

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 Executive 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.C.P.A.*, aged 41, 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 subsidiaries 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 16 years' experience in public accountancy, manufacturing, distribution and construction.

Mr. Chan Kwok Leung, Andy, aged 46, 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 was also appointed as Director of Marketing on 1st September, 2002, primarily involving in the overall marketing activities and business development of the Group. He has more than 25 years' experience in marketing, container depot management, container inspection and repair, and container leasing. 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.

Mr. Lu Yu Lii, York, *B. Eng.*, aged 48, General Manager – China Container Depot Operations, joined the Company on 1st March, 1998 and is also a director of various subsidiaries of the Company. Mr. Lu has more than 19 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, 2003.

Principal Activities

The principal activities of the Company are investment holding and provision of management services to its subsidiaries, associates and jointly controlled entities. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 18, 20 and 21, respectively to the financial statements.

An analysis of the Group's turnover and contribution to profit before taxation for the year ended 31st December, 2003 by principal activity is as follows:

Analysis by principal activity

	Turnover US$'000	**Contribution to profit before taxation** US$'000
Container manufacturing	415,572	22,321
Logistics services		
Container depot/terminal	18,090	4,663
Mid-stream	17,050	2,739
	450,712	29,723
Finance costs		(4,105)
Investment income		299
Share of results of associates		1,088
Share of results of jointly controlled entities		5,100
Profit before taxation		32,105

An analysis of the Group's turnover for the year ended 31st December, 2003 by geographical market is as follows:

Analysis by geographical market

	Turnover US$'000
Europe	117,049
Hong Kong	110,709
United States	101,404
PRC (other than Hong Kong and Taiwan)	33,345
Others	88,205
	450,712

Results and Appropriations

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 38.

The Directors recommend the payment of a final dividend of HK6 cents per share (2002: HK6 cents per share). Together with the interim dividend of HK3 cents, total dividend for the year was HK9 cents (2002: HK6 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend is payable on or before 30th June, 2004 to those shareholders whose names appear on the Register of Members of the Company on Wednesday, 19th May, 2004.

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 83 to 84.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities

Particulars regarding the principal subsidiaries, associates and jointly controlled entities of the Company are set out in notes 18, 20 and 21, respectively to the financial statements.

Liquidity

As at 31st December, 2003, the Group had bank balances and cash of US$44.5 million (2002: US$21.6 million) and total interest-bearing borrowings of US$119.2 million (2002: US$58.1 million). This represented a gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over shareholders' funds, of 1.14 (2002: 0.81) and a net debt to equity ratio, calculated on the basis of the Group's net interest-bearing borrowings (after deducting bank balances and cash of US$44.5 million) over shareholders' fund, of 0.72 (2002: 0.51). The significant increase in total interest-bearing borrowings was largely attributable to the consolidation of the bank borrowings of Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da"), formerly known as Shunde Shun An Da Pacific Container Co., Ltd., after it became a subsidiary of the Company with effect from 1st January, 2003. The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 11.45 times in 2003, compared to 16.65 times in 2002.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. The Group's revenues are mostly transacted in US$ and maintains cash balances mainly in US$, same is true for its machinery and material purchases. To a much lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. The majority of the Group's borrowings, approximately 84.6 per cent. of the total as at 31st December, 2003 was in US$ with the balance mainly in RMB. This policy adheres to the Group's principle to match its revenue stream with borrowings in same currency to minimise currency exposure.

The majority of the Group's borrowings is arranged on a short term revolving basis for the financing of the Group's daily working capital requirements. Of the total borrowings at the year end date, the maturity profile spread over a period of four years with US$79.2 million repayable within one year and US$40 million within two to four years. The Group's borrowings are principally on a floating rate and short term basis. As at 31st December, 2003, the Company has outstanding interest rate swap with its notional amount of US$40 million (2002: nil) to hedge against the floating rate interest risk for a term loan granted for the financing of various business acquisitions of the Company.

Bank Borrowings

Details of bank borrowings of the Group and the Company are set out in note 31 to the financial statements. No interest was capitalised by the Group during the year.

Capital Expenditure

To capture a larger market share and maintain its competitiveness and product quality, the Group incurred a total of US$14.2 million in capital expenditure during the year, which was largely used in the purchase of property, plant and equipment for the expansion of the production capacity and replacement of the existing assets.

Acquisitions

During 2003, the Group committed to invest a total of US$9.9 million to acquire the followings:

- an additional 35 per cent. equity interest in Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan"), formerly known as Shanghai Hyundai Container Manufacturing Co., Ltd. (a dry freight and specialised container manufacturing factory in Shanghai, the PRC);

- an additional 8.052 per cent. equity interest in Shanghai Jifa Logistics Co., Ltd. ("Shanghai Jifa") (a container depot in Shanghai, the PRC);

- an additional 19 per cent. equity interest in Foshan Shunde Leliu Wharf & Container Co., Ltd. ("SLWC"), formerly known as Shunde Leliu Wharf & Container Co., Ltd. (a river container terminal in Shunde, Foshan, the PRC);

- an additional 10 per cent. equity interest in Shun An Da (a dry freight and specialised container manufacturing factory in Shunde, Foshan, the PRC).

As at the balance sheet date, the first three investments were completed.

These investments were and will be financed internally and by bank borrowings on a medium term committed basis.

On 9th January, 2003, the Company entered into a share transfer agreement with Pacific International Lines (Private) Limited ("PIL") to acquire from PIL 35 per cent. equity interest in Shanghai Baoshan at a consideration of US$1,522,500, which was satisfied in a form of corporate guarantee provided by the Company in favour of a bank of Shanghai Baoshan. Since PIL is a controlling shareholder of the Company, PIL is a connected person and entering into this agreement constitutes a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Upon completion of this acquisition in February 2003, the Group's effective interest in Shanghai Baoshan increased from 39 per cent. (indirectly held through Shanghai Pacific International Container Co., Ltd., a 60 per cent. owned-subsidiary of the Company) to 74 per cent..

On 20th January, 2003, the Company's wholly-owned subsidiary, Singamas Warehouse (Shanghai) Company Limited, entered into a share transfer agreement with a third party to acquire an additional 8.052 per cent. equity interest in Shanghai Jifa at a cash consideration of US$2,956,000. Upon completion of this acquisition in January 2003, the Group's effective interest in Shanghai Jifa increased from 16.948 per cent. to 25 per cent..

On 12th February, 2003, Singamas Terminals (China) Limited, a wholly-owned subsidiary of the Company entered into a share transfer agreement with a third party to acquire 19 per cent. equity interest in SLWC at a cash consideration of US$3,800,000. In view that the unaudited net tangible asset value of SLWC as at 31st December, 2002 represented more than 15 per cent. of the audited consolidated net tangible asset value of the Company as at 31st December, 2001, entering into this agreement constitutes a discloseable transaction under the Listing Rules. Upon completion of this acquisition in April 2003, the Group's effective interest in SLWC increased from 40 per cent. to 59 per cent..

On 13th November, 2003, the Company entered into a share transfer agreement with SSCMC Transportation Co., Ltd. ("SSCMC Transportation") to acquire from SSCMC Transportation an additional 10 per cent. equity interest in Shun An Da at a cash consideration of US$1,800,000. Since SSCMC Transportation is a substantial shareholder of Shun An Da, SSCMC Transportation is a connected person and entering into this agreement constitutes a connected transaction under the Listing Rules. Upon completion of this agreement in January 2004, the Company's equity interest in Shun An Da has increased from 60 per cent. to 70 per cent..

Details of the above connected and/or discloseable transactions have been disclosed by way of a press notice and circular (if required) in compliance with the Listing Rules.

Share Placement

A Placement Agreement and a Subscription Agreement were entered into on 14th April, 2003.

Under the terms of the Placement Agreement, a total of 60,000,000 existing shares held originally by PIL was placed to independent parties at the price of HK$2.15 per share ("Placing Price"). Pursuant to the Subscription Agreement, PIL subscribed for 60,000,000 new shares ("New Shares") issued by the Company at HK$2.09 per new share, arrived at the equivalent of the Placing Price net of expenses related to the Placing.

Immediately after the completion of the Placing and Subscription, the issued share capital of the Company was enlarged by the allotment of the New Shares. As a result, PIL's shareholding interest in the Company at that time was diluted from approximately 62.18 per cent. to 55 per cent. of the issued share capital.

The net proceeds from the completion of the Placing and Subscription were approximately HK$125,400,000. These were used for general funding purposes, including the financing of the Group's acquisitions of an additional 36.17 per cent. interest in Shanghai Reeferco Container Co., Ltd. and an additional 20 per cent. interest in Shun An Da, the repayment of a bank loan advanced to the Company for the acquisition of an additional 19 per cent. interest in SLWC and the formation of a joint venture company, Qingdao Pacific Container Co., Ltd., to operate a dry freight and specialised container factory in Qingdao, the PRC.

Charges on Assets

As at 31st December, 2003, certain assets of the Group with aggregate carrying value of US$7,681,000 (2002: US$15,664,000) were pledged as securities for credit facilities granted by banks to subsidiaries in the PRC.

Contingent Liabilities

During 2003, the Company provided guarantees to banks as securities for bank facilities granted to certain subsidiaries and jointly controlled entities in the PRC. As at 31st December, 2003, total amount of bank facilities, of which guarantees were provided, utilised by the jointly controlled entities was US$20,132,000.

Share Capital

During the year, the Company issued a total of 66,416,000 new ordinary shares. Details of share capital are set out in note 28 to the financial statements.

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#
Mr. Ngan Man Kit, Alexander* *(appointed on 1st July, 2003)*
Mr. Ong Ka Thai*
Mr. Soh Kim Soon*

* *Independent Non-Executive Director*
\# *Non-Executive Director*

In accordance with the provisions of the Company's Articles of Association, every director not being a managing director shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Audit Committee

Pursuant to the requirements of the 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. During the year under review, the Committee met four 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.

Directors' Interests

As at 31st December, 2003, the interests or short positions of the Directors of the Company in the shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required notification to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

		Number of Ordinary Shares of HK$0.10 each		Percentage
Name	**Capacity**	**Personal Interest**	**Corporate Interest**	**of Issued Shares**
Mr. Chang Yun Chung	Beneficial Owner	–	289,308,178 *(Note)*	55.38
Mr. Teo Siong Seng	Beneficial Owner	13,234,000	–	2.53

Note: These shares are held by PIL (an associated corporation, within the meaning of Part XV of the SFO, of the Company) in which Mr. Chang Yun Chung is interested in aggregate, in 16,525,000 shares representing 89.42 per cent. of the issued share capital of PIL. Mr. Chang Yun Chung's interest in shares of PIL comprises a personal interest in 2,642,500 shares and corporate interests in 5,850,000 shares through South Pacific International Holdings Limited, a company in which he holds 59.95 per cent. of the issued share capital and 8,032,500 shares through Y. C. Chang & Sons Private Limited, a company in which he holds 2.86 per cent. of the issued share capital. Messrs. Teo Siong Seng and Teo Tiou Seng, directors of the Company, both of their interests in shares of PIL comprise personal interests in 120,000 shares and 80,000 shares respectively and representing 0.65 per cent. and 0.43 per cent. of the issued share capital of PIL.

Details of the share option scheme of the Company are set out in note 29 to the financial statements.

Other than those disclosed in note 39 to the financial statements (which were approved by the Independent Non-Executive Directors and in the opinion of the Directors were carried out on normal commercial terms and in ordinary course of the Group's business), 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 in note 29 to the financial statements.

Save as disclosed above, none of Directors, nor their associates, had any other interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pusuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company or the Stock Exchange; and none of the Directors, nor their spouse 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 Shareholders' Interests

As at 31st December, 2003, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any director of the Company, the following persons (other than the interests of certain Directors disclosed under the section headed "Directors' Interests" above), had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the issued share capital of the Company, carrying rights to vote in all circumstances at general meetings of the Company together with the number of shares in which they were deemed to be interested were:

Name	*Notes*	Number of Ordinary Shares of HK$0.10 Each Direct Interest	 Indirect Interest	Percentage of Total Issued Shares
CDC IXIS Asset Management Asia Ltd.		26,700,000(L)#	–	5.11
INVESCO Asia Limited (in its capacity as manager/adviser for various accounts)		27,718,000(L)#	–	5.31
J.P. Morgan Chase & Co.	*(1)*	–	83,730,000(L)#	16.03
		–	34,286,000(P)#	6.56
Madam Lee Kheng Wah	*(2)*	–	289,308,178(L)#	55.38
PIL	*(3)*	289,308,178(L)#	–	55.38
Y.C. Chang & Sons Private Limited	*(4)*	–	289,308,178(L)#	55.38

(L) - Long Position; (P) - Lending Pool

Notes:

(1) *These shares in which J.P. Morgan Chase & Co. is deemed to be interested, were held via J.P. Morgan Fleming Asset Management (UK) Limited, JF International Management Inc., JF Asset Management (Taiwan) Limited, JF Asset Management Limited and JP Morgan Chase Bank, respectively.*

(2) *Madam Lee Kheng Wah, as the spouse of Mr. Chang Yun Chung, is deemed to be interested in these shares.*

(3) *A full explanation of these shares is disclosed under the section headed "Directors' Interests" above.*

(4) *As Y.C. Chang & Sons Private Limited directly controls one-third or more of the voting rights in the shareholders' meeting of PIL, in accordance with SFO, Y.C. Chang & Sons Private Limited is deemed to be interested in PIL's interests in the Company's issued shares.*

Save as disclosed above, there was no other person known to the Directors, other than the Directors, who, as at 31st December, 2003, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Corporate Governance

Throughout the year ended 31st December, 2003 the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The term of office of each non-executive director and independent non-executive director of the Company is the period up to his retirement and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Directors' Service Agreement

As at 31st December, 2003, no Directors or proposed directors has any existing service contract or proposed service contract with the Company which is not terminable by the Company within one year without payment of compensation.

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	16.5
Percentage of purchases attributable to the Group's five largest suppliers	39.6
Percentage of sales attributable to the Group's largest customer	12.2
Percentage of sales attributable to the Group's five largest customers	40.6

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 was entered into or existed during the year.

Retirement Benefits Scheme

Details of the Retirement Benefits Schemes are set out in note 10 to the financial statements.

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 18 to 20 under the Directors and Senior Management Profile section of this Annual Report.

Remuneration Policies and Employee Relations

As at 31st December, 2003, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 5,476 (2002: 2,724) full-time employees. Staff costs (including directors' emoluments) amounted to US$26.3 million (2002: US$16.1 million) for the year. All full-time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus. Factory workers are being remunerated based on a basic wage plus production incentive. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. To further enhance the capability of its human resource, the Group provides on-the-job training to its employees.

Other than the subsidiaries in the PRC, neither the Company nor any of its other subsidiaries has established a labour union. The Company and its subsidiaries, however, are 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 had adopted a Share Option Scheme for employees on 17th June, 1993 which had expired on 16th June, 2003, details of which are set out in note 29 to the financial statements.

Auditors

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Chang Yun Chung
Chairman

Hong Kong, 23rd March, 2004

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Singamas Container Holdings Limited (the "Company") will be held at Plaza I-III, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on 19th May, 2004 at 10:00 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, 2003.

2. To declare a final dividend for the year ended 31st December, 2003.

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

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

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 (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)."

6. 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

(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."

7. 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 5 and 6 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 repurchased by the directors of the Company ("Directors") under the authority granted to the Directors mentioned in such resolution numbered 6 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 5 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."

8. As special business, to consider and, if thought fit, to pass the following resolution as a special resolution of the Company:

"**THAT** the Articles of Association of the Company be and is hereby amended by the addition thereto of the following new article to be numbered 10A after the existing Article numbered 10:

No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

and

THAT the Articles of Association of the Company be and is hereby amended by the addition thereto of the following new article to be numbered 67A after the existing Article numbered 67:

Where any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing Article numbered 78A:

If a recognised clearing house (or its nominee) within the meaning of Part 1 of Schedule 1 to the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as from time to time supplemented, amended or substituted, or a clearing house recognised by the laws of any other jurisdiction in which the shares of the Company are listed or quoted with the permission of the Company on a stock exchange in such jurisdiction, is a member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing Article numbered 93:

Subject to the provisions of the Ordinance and to the following provisions of these articles, every director shall hold office for the term, if any, fixed by resolution of members or until the earlier of his death, resignation or removal.

and

THAT Articles 94 and 102 of the Articles of Association of the Company be and are hereby amended by the deletion thereto of the wording "by rotation" from the existing Articles numbered 94 and 102.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing Article numbered 95:

No person other than a director retiring shall be appointed or reappointed a director at any general meeting unless (a) he is recommended by the directors; or (b) not less than seven days before the date appointed for holding the meeting, notice executed by a member qualified to vote on the appointment or reappointment has been given to the Company of the intention to propose that person for appointment or reappointment, stating the particulars which would, if he were appointed or reappointed, be required to be included in the Company's register of directors, together with notice executed by that person of his willingness to be appointed or reappointed. The period for lodgment of the notice referred to the above will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing Article numbered 97:

Subject as aforesaid, the Company may by ordinary resolution appoint a person who is willing to act to be a director, either to fill a casual vacancy or as an additional director and who shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing Article numbered 98:

The directors may appoint a person who is willing to act to be a director, either to fill a casual vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed as the maximum number of directors.

and

THAT the Articles of Association of the Company be and is hereby amended by the addition thereto of the following new article to be numbered 100A after the existing Article numbered 100:

Where not otherwise provided by the Ordinance, the Company in general meeting shall have power by special resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing Article numbered 111(1):

Save as otherwise provided by these articles as the Stock Exchange may approve, a director shall not vote at a meeting of the directors on any resolution approving any contract or arrangement or any other proposal in which he or any of his associates has, directly or indirectly, a material interest nor shall he be counted in the quorum present at the meeting (other than interest in shares, debentures or other securities of, or otherwise in or through, the Company), unless his interest or any interest of his associates arises only because the case falls within one or more of the following sub-paragraphs:

(a) the resolution relates to the giving to him or his associate(s) of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him or any of them for the benefit or at the request of, the Company or any of its subsidiaries;

(b) the resolution relates to the giving to a third party of a debt or a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiaries for which the director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(c) his interest or any interest of his associates arises by virtue of his or his associate(s) being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of the Company or any other company in which the Company may promote or be interest in for subscription, purchase or exchange;

(d) the resolution relates to an arrangement for the benefit of employees of the Company or any of its subsidiaries, including but without being limited to:

(i) the adoption, modification or operation of any employee's share scheme or share incentive scheme or share option scheme under which the director or his associate(s) may benefit; or

(ii) the adoption, modification or operation of a pension fund, or retirement, death or disability benefits scheme, which relates both to directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any director, or his associate(s), as such privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(e) the resolution relates to a transaction or arrangement with any other company in which he or his associate(s) is/are interested only, whether directly or indirectly, as an officer, executive or shareholder, or in which the director or his associate(s) is/are beneficially interested in shares of that company, provided that he and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights (and for the purpose of calculating the said percentage there shall be disregarded any shares held by the director or his associate(s) as bare or custodian trustee and in which the director and his associate(s) have no beneficial interest, and any shares comprised in any unit trust scheme in which the director and his associate(s) are interested only as a unit holder);

(f) any contract or arrangement in which the director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(g) the resolution relates to the purchase or maintenance for any director or directors of insurance against any liability.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing sub-paragraph (2) in the Article numbered 135:

(2) Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been given to the person from whom he derives his title; but this paragraph does not apply to notice given under the provisions of the Securities and Future Ordinance (Chapter 571) of the laws of Hong Kong.

and

THAT the Articles of Association of the Company be and is hereby amended by the replacement thereto of the following wording to the existing sub-paragraph (1) in the Article numbered 140:

(1) Any two directors or any one director and the secretary for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the directors or any committee of directors and any books, records, documents and accounts, relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting of the Company or of the directors or any committee of directors which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or as the case may be that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting."

9. To transact any other business.

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

Hong Kong, 23rd March, 2004

Registered office:

22nd Floor,
Dah Sing Financial Centre,
108 Gloucester Road,
Hong Kong

Notes:

i. 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.

Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting should he so wish.

ii. 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 22nd Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

iii. The register of members of the Company will be closed from Thursday, 13th May, 2004 to Wednesday, 19th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to determine entitlement to attend and vote at the meeting, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:00 p.m. on Wednesday, 12th May, 2004.

iv. With respect to the proposed resolution numbered 5 above, the Directors wish to state that they have no immediate plans to issue any new shares under the general mandate. An explanatory statement containing further details on resolution numbered 6 above will be sent to members of the Company together with the Annual Report.

Report of the Auditors

德勤‧關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

Deloitte
Touche
Tohmatsu

To the members of Singamas Container Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 38 to 82 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 solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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, 2003 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, 23rd March, 2004

Consolidated Income Statement

For the year ended 31st December, 2003

	Notes	2003 US$'000	2002 US$'000
Turnover	4	**450,712**	180,637
Other operating income		**1,696**	1,939
Changes in inventories of finished goods and work in progress		**(10,089)**	2,443
Raw materials and consumables used		**(326,633)**	(108,890)
Staff costs		**(26,311)**	(16,113)
Depreciation and amortisation expenses		**(7,673)**	(5,743)
Other operating expenses		**(51,979)**	(39,079)
Profit from operations	6	**29,723**	15,194
Finance costs	7	**(4,105)**	(1,829)
Investment income	8	**299**	120
Share of results of associates		**1,088**	8,023
Share of results of jointly controlled entities		**5,100**	(511)
Profit before taxation		**32,105**	20,997
Taxation	11	**(1,874)**	(2,257)
Profit after taxation		**30,231**	18,740
Minority interests		**(9,861)**	(4,051)
Net profit for the year	12, 30	**20,370**	14,689
Earnings per share	14		
Basic		**4.07 cents**	3.22 cents
Diluted		**4.07 cents**	3.22 cents

Consolidated Balance Sheet

As at 31st December, 2003

	Notes	**2003** **US$'000**	2002 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**85,885**	37,026
Patents	*16*	**1,226**	1,479
Goodwill	*17*	**1,120**	–
Interests in associates	*20*	**2,778**	22,881
Interests in jointly controlled entities	*21*	**30,638**	15,702
Investment in securities	*22*	**611**	611
Deferred tax assets	*33*	**232**	–
Other assets	*23*	**877**	654
		123,367	78,353
Current assets			
Inventories	*24*	**81,579**	50,665
Accounts receivable	*25*	**84,065**	37,390
Prepayments and other receivables		**82,823**	10,450
Amount due from ultimate holding company		**–**	100
Amounts due from fellow subsidiaries		**269**	199
Amounts due from associates		**10**	1,270
Amounts due from jointly controlled entities		**8,961**	1,238
Amounts due from related companies	*27*	**1,211**	638
Tax recoverable		**1,445**	110
Pledged deposits		**–**	1,042
Bank balances and cash		**44,485**	21,567
		304,848	124,669
Total assets		**428,215**	203,022

Consolidated Balance Sheet *(Continued)*

As at 31st December, 2003

	Notes	2003 US$'000	2002 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*28*	**6,706**	5,854
Share premium	*30*	**55,735**	38,522
Accumulated profits	*30*	**37,628**	23,637
Other reserves	*30*	**4,309**	3,432
		104,378	71,445
Minority interests		**49,241**	19,146
		153,619	90,591
Non-current liability			
Bank borrowings – due after one year	*31*	**40,000**	15,160
Current liabilities			
Accounts payable	*26*	**52,372**	23,501
Accruals and other payables		**38,876**	28,696
Bills payable		**61,833**	54
Amount due to ultimate holding company		**187**	1,518
Amounts due to associates		**20**	–
Amounts due to jointly controlled entities		**77**	235
Bank borrowings – due within one year	*31*	**79,203**	42,893
Obligations under finance leases – due within one year	*32*	**–**	6
Tax payable		**2,028**	368
		234,596	97,271
Total equity and liabilities		**428,215**	203,022

The financial statements on pages 38 to 82 were approved and authorised for issue by the Board of Directors on 23rd March, 2004 and are signed on its behalf by:

Teo Siong Seng
Director

Teo Tiou Seng
Director

Balance Sheet

As at 31st December, 2003

	Notes	2003 US$'000	2002 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**354**	215
Interests in subsidiaries	*18*	**48,349**	31,971
Interests in associates	*20*	**8,543**	15,623
Interests in jointly controlled entities	*21*	**15,839**	8,910
Investment in securities	*22*	**611**	611
		73,696	57,330
Current assets			
Prepayments and other receivables		**4,031**	778
Amounts due from subsidiaries	*19*	**54,761**	33,932
Amounts due from associates		**706**	678
Amounts due from jointly controlled entities		**2,751**	941
Bank balances and cash		**22,383**	5,394
		84,632	41,723
Total assets		**158,328**	99,053
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*28*	**6,706**	5,854
Share premium	*30*	**55,735**	38,522
Accumulated profits	*30*	**10,740**	13,887
		73,181	58,263
Non-current liability			
Bank borrowings – due after one year	*31*	**40,000**	15,160
Current liabilities			
Accruals and other payables		**23,767**	5,630
Bills payable		**5,026**	–
Amounts due to subsidiaries	*19*	**16,147**	11,886
Amount due to ultimate holding company		**187**	1,518
Amounts due to associates		**20**	21
Amounts due to jointly controlled entities		**–**	–
Bank borrowings – due within one year	*31*	**–**	6,575
		45,147	25,630
Total equity and liabilities		**158,328**	99,053

Teo Siong Seng
Director

Teo Tiou Seng
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2003

	Note	**2003** **US$'000**	2002 US$'000
Total equity at 1st January		**71,445**	57,919
Currency translation differences and net gains not recognised in the income statement	*30*	**41**	6
Exercise of share options	*30*	**742**	–
Issue of ordinary shares on placing, net of share issue expenses	*30*	**16,030**	–
Issue of ordinary shares on increase in interest of a subsidiary, net of share issue expenses	*30*	**1,293**	–
Net profit for the year	*30*	**20,370**	14,689
Dividend paid	*30*	**(5,543)**	(1,169)
Total equity at 31st December		**104,378**	71,445

Consolidated Cash Flow Statement

For the year ended 31st December, 2003

	Note	2003 US$'000	2002 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**32,105**	20,997
Adjustments for:			
Depreciation		**6,981**	5,255
Loss (gain) on disposal of property, plant and equipment		**457**	(25)
Gain on deemed disposal of a subsidiary		**–**	(17)
Share of results of associates		**(1,088)**	(8,023)
Share of results of jointly controlled entities		**(5,100)**	511
Amortisation of patents		**253**	254
Amortisation of goodwill		**80**	–
Amortisation of other assets		**359**	234
Interest element of finance leases		**1**	28
Interest income		**(299)**	(120)
Interest expenses		**3,582**	1,355
Operating cash flows before movements in working capital		**37,331**	20,449
Increase in inventories		**(6,022)**	(951)
Decrease (increase) in accounts receivable		**30,828**	(9,470)
(Increase) decrease in prepayments and other receivables		**(65,916)**	5,251
Decrease in amount due from ultimate holding company		**100**	12
(Increase) decrease in amounts due from fellow subsidiaries		**(70)**	5
Decrease (increase) in amounts due from associates		**583**	(933)
Increase in amounts due from jointly controlled entities		**(7,723)**	(1,127)
(Increase) decrease in amounts due from related companies		**(573)**	19
(Decrease) increase in accounts payable		**(1,766)**	7,319
Decrease in accruals and other payables		**(1,490)**	(1,722)
Decrease in bills payable		**(4,428)**	(5,039)
Decrease in amount due to ultimate holding company		**(1,331)**	(257)
Increase (decrease) in amounts due to associates		**20**	(33)
Decrease in amounts due to jointly controlled entities		**(158)**	(687)
Cash (used in) generated from operations		**(20,615)**	12,836
Interest paid		**(3,583)**	(1,383)
Taxation paid		**(1,943)**	(1,363)
Taxation refunded		**1,470**	–
Net cash (used in) from operating activities		**(24,671)**	10,090

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31st December, 2003

	Note	2003 US$'000	2002 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(14,202)**	(3,616)
Decrease in pledged deposit		**1,042**	2,990
Additions to other assets		**(354)**	(35)
Increase in investment in associates		**(120)**	(7,457)
Increase in investment in jointly controlled entities		**(10,663)**	(1,120)
Proceeds on disposal of property, plant and equipment		**630**	230
Increase in interest of a subsidiary		**(3)**	–
Deemed disposal of a subsidiary		**–**	(2,533)
Acquisition of subsidiaries	*37*	**32,687**	–
Dividends received from associates and jointly controlled entities		**1,092**	2,255
Interest received		**299**	120
Net cash from (used in) investing activities		**10,408**	(9,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**160,489**	69,505
Repayment of bank loans		**(130,384)**	(62,911)
Capital repayment of finance leases		**(6)**	(487)
Dividends paid to minority shareholders		**(4,139)**	(2,719)
Dividends paid		**(5,543)**	(1,169)
Proceeds from issue of shares, net of expenses		**16,768**	–
Net cash from financing activities		**37,185**	2,219
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,922**	3,143
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**21,567**	18,424
Effect of foreign exchange rate changes		**(4)**	–
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		**44,485**	21,567
BALANCE OF CASH AND CASH EQUIVALENTS REPRESENTED BY:			
Bank balances and cash		**44,485**	21,567

1 GENERAL

The Company is a listed public limited company incorporated in Hong Kong. Its ultimate holding company is Pacific International Lines (Private) Limited ("PIL"), a company incorporated in the Republic of Singapore. The Group is principally engaged in the businesses of container manufacturing, container depot/terminal and mid-stream operations.

The financial statements are presented in United States dollars ("US$"), the currency in which the majority of the group's transactions are denominated.

2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA.

SSAP12 (Revised) Income Taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision had to be made for deferred tax using income statement liability method, i.e. a liability would be recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The retrospective adoption of this new standard has not resulted in any significant effect on the financial statements in the prior periods, and accordingly, no prior period adjustment has been made. The effect of the adoption of this new accounting policy has increased the net profit for the current year by US$191,000.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted 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 results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The Group financial statements also include the Group's share of post acquisition profits less losses, and reserves, of its associates and jointly controlled entities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments in subsidiaries

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

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

(c) Interests in associates

An associate is an enterprise in 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 associates are included in the consolidated balance sheet at the Group's share of net assets of the associates less any identified impairment loss, and the Group's share of the post-acquisition results of associates is included in the consolidated income statement. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

(d) Interests in joint ventures

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

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities plus the premium paid and less any discount on acquisition in so far as it has not already been amortised or released to income, less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

(f) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions on or after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions on or after 1st January, 2001 is presented as deduction from assets. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the acquired identifiable depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying amount of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

(h) 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/terminal and mid-stream operations is recognised when the services are rendered.

Interest income is recognised on accruals basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Property, plant and equipment, other than assets under construction, are stated at cost less accumulated depreciation and any identified impairment loss. The cost of an asset comprises its purchase cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to income statement 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 asset, the expenditure is capitalised as an additional cost of the asset. Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives, after taking into account their 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
Buildings and site improvements outside Hong Kong		
– on medium term lease	20 to 30 years	Nil to 10 per cent.
– on short lease	5 years	Nil
Land, buildings and site improvements in Hong Kong		
– on medium term lease	10 to 50 years	Nil
– on short lease	1 to 10 years	Nil
Plant and machinery	5 to 15 years	Nil to 10 per cent.
Furniture, fittings and office equipment	5 to 10 years	Nil to 10 per cent.
Motor vehicles	5 to 10 years	Nil to 10 per cent.

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 completed and the assets are brought into use.

Assets under finance leases are depreciated using the straight-line method over the shorter of the respective lease terms and their estimated useful lives.

The gain or loss arising on disposal of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the assets and is dealt with in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises the cost of materials, and where applicable, direct labour, and an appropriate portion of 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 in the ordinary course of business less estimated cost of completion and selling expenses.

(l) Patents

Patents represent the cost of acquiring rights to technical know-how for the production and sale of new products. Patents are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of 10 years.

(m) Assets under leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) Currencies other than United States dollars

Transactions in currencies other than US$ are translated into US$ at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities expressed in currencies other than US$ at the balance sheet date are translated into US$ at the rates of exchange ruling on the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities 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 income and expenditure items. Exchange differences arising on consolidation, if any, are dealt with in reserves.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Retirement benefit costs

In respect of the subsidiaries in the People's Republic of China other than Hong Kong (the "PRC"), the Group contributes to a State-sponsored retirement benefit scheme operated by the PRC government. Contribution payable by the Group to the scheme is charged to the income statement.

Prior to 1st December, 2000, the Group contributed to defined contribution retirement schemes which were available to certain employees of Hong Kong. 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, is charged to the income statement as incurred.

With effective from 1st December, 2000, the Group operates Mandatory Provident Fund ("MPF") schemes and contributes to the MPF schemes which are available to all employees of Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Contribution payable by the Group to the MPF schemes is charged to the income statement.

Retirement benefits are provided for all local permanent employees of a subsidiary in Republic of Indonesia ("Indonesia") based on the decree of the Minister of Manpower No. Kep-150/Men/2000 and Labour Law No. 13/2003 concerning the settlement of labour dismissal and the stipulation of severance pay, gratuity and compensation in companies. Retirement benefits provided in the year are charged to the income statement.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in net profit or loss in the period in which they are incurred.

4 TURNOVER

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

	2003	2002
	US$'000	US$'000
Container manufacturing	**415,572**	141,420
Container depot/terminal	**18,090**	23,593
Mid-stream	**17,050**	15,624
	450,712	180,637

5 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group is currently organised into three operating divisions – container manufacturing, container depot/terminal and mid-stream. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Container manufacturing	–	manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, bitutainer containers, other specialised containers and container parts.
Container depot/terminal	–	provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services.
Mid-stream	–	provision of mid-stream services.

Segment information about these businesses is presented below.

2003

	Container manufacturing US$'000	Container depot/ terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
TURNOVER					
External sales	415,572	18,090	17,050	–	450,712
Inter-segment sales	–	3,926	194	(4,120)	–
Total	415,572	22,016	17,244	(4,120)	450,712
Inter-segment sales are charged at prevailing market prices.					
PROFIT FROM OPERATIONS	22,321	4,663	2,739		29,723
Finance costs					(4,105)
Investment income					299
Share of results of associates	–	1,088	–		1,088
Share of results of jointly controlled entities	4,157	943	–		5,100
Profit before taxation					32,105
Taxation	(894)	(677)	(303)		(1,874)
Profit after taxation					30,231

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

OTHER INFORMATION

	Container manufacturing US$'000	Container depot/ terminal US$'000	Mid-stream US$'000	Total US$'000
Capital expenditure	**6,933**	**7,265**	**4**	**14,202**
Depreciation and amortisation	**5,664**	**1,982**	**27**	**7,673**
BALANCE SHEET				
ASSETS				
Segment assets	**335,569**	**55,715**	**3,515**	**394,799**
Interests in associates	**120**	**2,658**	**–**	**2,778**
Interests in jointly controlled entities	**20,167**	**10,471**	**–**	**30,638**
Consolidated total assets				**428,215**
LIABILITIES				
Segment liabilities	**139,641**	**11,260**	**2,464**	**153,365**
Unallocated liabilities				**121,231**
Consolidated total liabilities				**274,596**

2002

	Container manufacturing US$'000	Container depot/ terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
TURNOVER					
External sales	141,420	23,593	15,624	–	180,637
Inter-segment sales	–	1,891	144	(2,035)	–
Total	141,420	25,484	15,768	(2,035)	180,637

Inter-segment sales are charged at prevailing market prices.

	Container manufacturing US$'000	Container depot/ terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
PROFIT FROM OPERATIONS	9,192	3,356	2,646		15,194
Finance costs					(1,829)
Investment income					120
Share of results of associates	6,687	1,336	–		8,023
Share of results of jointly controlled entities	(647)	136	–		(511)
Profit before taxation					20,997
Taxation	(1,466)	(514)	(277)		(2,257)
Profit after taxation					18,740

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

OTHER INFORMATION

	Container manufacturing US$'000	Container depot/ terminal US$'000	Mid-stream US$'000	Total US$'000
Capital expenditure	1,712	1,850	54	3,616
Depreciation and amortisation	3,728	1,992	23	5,743
BALANCE SHEET				
ASSETS				
Segment assets	141,128	19,839	3,472	164,439
Interests in associates	11,883	10,998	–	22,881
Interests in jointly controlled entities	8,494	7,208	–	15,702
Consolidated total assets				203,022
LIABILITIES				
Segment liabilities	45,741	6,275	1,988	54,004
Unallocated liabilities				58,427
Consolidated total liabilities				112,431

Geographical segments

The Group's operations are located in Hong Kong, the PRC, Indonesia and Thailand. The Group's container manufacturing division is located in the PRC and Indonesia. Container depot/terminal division is located in Hong Kong, the PRC and Thailand. Mid-stream services are carried out in Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover	
	2003 US$'000	2002 US$'000
Europe	**117,049**	40,161
Hong Kong	**110,709**	32,968
United States	**101,404**	44,222
PRC (other than Hong Kong and Taiwan)	**33,345**	39,018
Others	**88,205**	24,268
	450,712	180,637

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
PRC (other than Hong Kong and Taiwan)	**371,008**	170,284	**13,859**	2,875
Hong Kong	**45,330**	19,529	**263**	552
Others	**11,877**	13,209	**80**	189
	428,215	203,022	**14,202**	3,616

6 PROFIT FROM OPERATIONS

	2003 US$'000	2002 US$'000
Profit from operations has been arrived at after charging the following:		
Auditors' remuneration	**291**	258
Staff costs, including directors' emoluments		
– Salaries and other benefits	**24,565**	14,580
– Retirement benefit costs *(note 10)*	**1,746**	1,533
	26,311	16,113
Depreciation and amortisation		
Depreciation		
– Owned property, plant and equipment	**6,981**	5,133
– Assets held under finance leases	**–**	122
Amortisation		
– Patents	**253**	254
– Goodwill	**80**	–
– Other assets	**359**	234
	7,673	5,743
Operating lease charges		
– Land and buildings	**3,136**	4,397
– Plant and machinery	**202**	317
	3,338	4,714
Amortisation of premium on acquisition of a jointly controlled entity	**594**	326
Amortisation of discount on acquisition of a jointly controlled entity	**(1,904)**	–
Profit on deemed disposal of a subsidiary	**–**	(17)
Loss (gain) on disposal of property, plant and equipment	**457**	(25)
Net exchange loss	**186**	74

7 FINANCE COSTS

	2003 US$'000	2002 US$'000
Interest on		
– Bank loans and overdrafts wholly repayable within five years	**3,582**	1,355
– Finance leases	**1**	28
Bank charges and commissions	**522**	446
	4,105	1,829

8 INVESTMENT INCOME

	2003 US$'000	2002 US$'000
Interest earned on bank deposits	**299**	120

9 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

	2003 US$'000	2002 US$'000
Directors' emoluments		
Fees:		
Executive	**104**	92
Non-executive	**26**	23
Independent non-executive	**74**	46
	204	161
Other emoluments:		
Executive:		
Salaries and other benefits	**492**	498
Performance-related incentive payments	**509**	367
Retirement benefit costs	**13**	13
	1,014	878
	1,218	1,039

The directors' emoluments were within the following bands:

		2003 Number of directors	2002 Number of directors
Nil – US$128,409	(Nil – HK$1,000,000)	**6**	5
US$192,614 – US$256,818	(HK$1,500,001 – HK$2,000,000)	**1**	1
US$642,046 – US$706,251	(HK$5,000,001 – HK$5,500,000)	**–**	1
US$770,456 – US$834,660	(HK$6,000,001 – HK$6,500,000)	**1**	–

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for the loss of office. None of the directors has waived any emoluments during the year.

9 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

The above analysis includes 2 (2002: 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:

	2003 **US$'000**	2002 US$'000
Salaries and other benefits	**333**	320
Retirement benefit costs	**15**	14
	348	334

Their emoluments were within the following bands:

		2003 **Number of individuals**	2002 Number of individuals
Nil – US$128,409	(Nil – HK$1,000,000)	**1**	2
US$128,410 – US$192,613	(HK$1,000,001 – HK$1,500,000)	**2**	1

Details of the Share Option Scheme are set out in note 29.

10 RETIREMENT BENEFIT COSTS

Prior to 1st December, 2000, the Group operated defined contribution retirement schemes for certain employees in Hong Kong. These schemes are registered under the Occupational Retirement Scheme Ordinance. 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. Any amount unvested upon an employee ceasing to be a member shall be used to offset subsequent employer's contributions.

With effect from 1st December, 2000, the Group has joined MPF schemes for all employees in Hong Kong. The MPF schemes are registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF schemes are held separately from those of the Group in funds under the control of an independent trustee.

Under the rules of the MPF scheme, the employer and its employees are each required to make contributions to the schemes at rates specified in the rules. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

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.

10 RETIREMENT BENEFIT COSTS (CONTINUED)

Retirement benefits are provided for all local permanent employees of a subsidiary in Indonesia based on the decree of the Minister of Manpower No. Kep-150/Men/2000 and Labour Law No. 13/2003 concerning the settlement of labour dismissal and the stipulation of severance pay, gratuity and compensation in companies. No funding of benefits has been made to date.

The retirement benefit costs charged to the income statement representing contributions payable by the Group to the MPF Scheme operated in Hong Kong, the retirement benefit scheme in the PRC and the retirement benefits provided for the employees of a subsidiary in Indonesia amounted to US$1,746,000 (2002: US$1,533,000). At the balance sheet date, contributions payable to the retirement schemes totalling US$270,000 (2002: US$102,000) and retirement benefit provision made for the local employees in Indonesia totalling US$352,000 (2002: US$146,000) are included in accruals and other payables.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of US$7,000 (2002: nil) were used to reduce the current year's contributions. At the balance sheet date, the Group had no forfeited contributions, which arose from the employees leaving the retirement schemes and which are available to reduce the contribution payable by the Group in the future years.

11 TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5 per cent. (2002: 16 per cent.) on the estimated assessable profit for the year. The profits tax rate has been increased with effect from the 2003/2004 year of assessment.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2003 **US$'000**	2002 US$'000
Current tax:		
Hong Kong profits tax		
– Current year	**309**	280
Overseas taxation		
– Current year	**2,121**	791
– Prior year overprovision	**(162)**	–
	2,268	1,071
Deferred tax:		
Current year	**(232)**	–
Taxation attributable to the Company and its subsidiaries	**2,036**	1,071
Share of taxation attributable to associates	**159**	1,190
Prior year overprovision attributable to an associate	**(588)**	–
Share of taxation attributable to jointly controlled entities	**267**	(4)
	1,874	2,257

11 TAXATION (CONTINUED)

Tax charge for the year can be reconciled to the profit per income statement as follows:

	2003		2002	
	US$'000	**%**	US$'000	%
Profit before taxation	**32,105**		20,997	
Tax at the domestic income tax rate of 17.5% (2002: 16%)	**5,618**	**17.50**	3,360	16.00
Tax effect of expenses that are not deductible in determining taxable profit	**685**	**2.14**	339	1.62
Tax effect of income that are not taxable in determining taxable profit	**(879)**	**(2.74)**	(312)	(1.49)
Tax effect on tax losses arising in the current year not recognised	**527**	**1.64**	461	2.20
Tax effect of utilisation of tax losses not previously recognised	**(573)**	**(1.78)**	(342)	(1.63)
Tax effect of other deductible temporary differences not previously recognised	**(482)**	**(1.50)**	(373)	(1.78)
Overprovision in prior years	**(750)**	**(2.34)**	–	–
Tax effect on reduction of tax rate as a temporary relief	**(1,177)**	**(3.67)**	(447)	(2.13)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,118)**	**(3.48)**	(414)	(1.97)
Others	**23**	**0.07**	(15)	(0.07)
	1,874	**5.84**	2,257	10.75

12 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$2,396,000 (2002: US$3,409,000).

13 DIVIDEND

	2003 US$'000	2002 US$'000
Interim paid:		
HK3 cents (2002: nil) per ordinary share	2,035	–
Final proposed:		
HK6 cents (2002: HK6 cents) per ordinary share	4,037	3,508
	6,072	3,508

The final dividend of HK6 cents (2002: HK 6 cents) per share, totalling US$4,037,000 (2002: US$3,508,000), has been proposed by the directors of the Company based on shares in issue and is subject to approval by the shareholders in general meeting.

14 EARNINGS PER SHARE – BASIC AND DILUTED

	2003 US$'000	2002 US$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	20,370	14,689
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	500,830,056	456,001,760
Effect of dilutive share options	100,730	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	500,930,786	456,001,760

For the year ended 31st December, 2002, the computation of diluted earnings per share has not assumed the exercise of the Company's outstanding share options as their exercise prices were higher than the average market price of shares.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Assets under construction US$'000	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost						
At 1st January, 2003	762	26,944	32,522	5,829	3,894	69,951
Additions	6,995	5,295	1,090	378	444	14,202
Disposals	–	(1,244)	(977)	(633)	(456)	(3,310)
Acquired on acquisition of subsidiaries	832	26,038	14,002	429	1,416	42,717
Transfer from assets under construction	(3,215)	302	2,691	31	191	–
Reclassification	–	55	1,084	(1,139)	–	–
Translation differences	–	10	9	4	1	24
At 31st December, 2003	5,374	57,400	50,421	4,899	5,490	123,584
Accumulated depreciation						
At 1st January, 2003	–	8,211	17,313	4,691	2,710	32,925
Charge for the year	–	1,807	4,249	351	574	6,981
Eliminated on disposals	–	(675)	(830)	(571)	(147)	(2,223)
Reclassification	–	38	855	(893)	–	–
Translation differences	–	8	3	4	1	16
At 31st December, 2003	–	9,389	21,590	3,582	3,138	37,699
Net book value						
At 31st December, 2003	5,374	48,011	28,831	1,317	2,352	85,885
At 31st December, 2002	762	18,733	15,209	1,138	1,184	37,026

The net book value of plant and machinery held under finance leases amounted to nil (2002: US$79,000).

Plant and machinery with an aggregate net book value of US$869,000 as at 31st December, 2003 (2002: US$2,889,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2003 was US$1,389,000 (2002: US$604,000).

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Land use rights US$'000	Land and buildings US$'000	Site improvements US$'000	Total US$'000
Group				
At 31st December, 2003				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	51	51
On medium term lease (10 to 50 years)	–	74	–	74
Held outside Hong Kong				
On medium term lease (20 to 50 years)	16,768	6,087	25,031	47,886
	16,768	6,161	25,082	48,011
At 31st December, 2002				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	91	91
On medium term lease (10 to 50 years)	–	75	–	75
Held outside Hong Kong				
On medium term lease (20 to 50 years)	2,638	6,371	9,558	18,567
	2,638	6,446	9,649	18,733

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings held outside Hong Kong with an aggregate net book value of US$6,812,000 as at 31st December, 2003 (2002: US$12,775,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2003 was US$2,363,000 (2002: US$4,791,000).

Company	**Furniture, fittings and office equipment** US$'000	**Motor vehicles** US$'000	**Total** US$'000
Cost			
At 1st January, 2003	957	61	1,018
Additions	65	185	250
At 31st December, 2003	1,022	246	1,268
Accumulated depreciation			
At 1st January, 2003	761	42	803
Charge for the year	74	37	111
At 31st December, 2003	835	79	914
Net book value			
At 31st December, 2003	187	167	354
At 31st December, 2002	196	19	215

16 PATENTS

Group

	US$'000
Cost	
At 1st January, 2003 and 31st December, 2003	3,031
Amortisation	
At 1st January, 2003	1,552
Charge for the year	253
At 31st December, 2003	1,805
Net book value	
At 31st December, 2003	1,226
At 31st December, 2002	1,479

17 GOODWILL

Group

	US$'000
Cost	
Arising on acquisition of additional equity interest of a subsidiary and balance as at 31st December, 2003	1,200
Amortisation	
Charge for the year and balance as at 31st December, 2003	80
Net Book Value	
At 31st December, 2003	1,120

Goodwill on acquisition of a subsidiary is amortised over its estimated useful life of 5 years.

18 INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	US$'000	US$'000
Unlisted shares and investments, at cost	**48,349**	31,971

Particulars of principal subsidiaries as at 31st December, 2003 are set out below:

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
DY Terminal Ltd.	Hong Kong	100%	Ordinary HK$1,000,000	Provision of container storage and repair services
Eng Kong Container & Warehousing Ltd.	Hong Kong	73.3%	Ordinary HK$300,000	Investment holding
Eng Kong Container Services Ltd.	Hong Kong	73.3%	Ordinary HK$3,000,000	Provision of container storage, drayage and repair services

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Foshan Shunde Leliu Wharf & Container Co., Ltd. # (formerly known as Shunde Leliu Wharf & Container Co., Ltd.)	PRC	59%	US$20,000,000	Provision of container terminal services
Guangdong Shun An Da Pacific Container Co., Ltd. * # (formerly known as Shunde Shun An Da Pacific Container Co., Ltd.)	PRC	60%	US$18,000,000	Manufacturing of dry freight and specialised containers
Hong Kong Transportation and Machinery Co., Ltd.*	Samoa	100%	US$1,000	Provision of management services in the PRC
PT. Java Pacific	Indonesia	72%	US$10,000,000	Manufacturing of dry freight and specialised containers
Shandong International Singamas Container Co., Ltd. #	PRC	60%	US$2,000,000	Provision of container storage and repair services
Shanghai Pacific International Container Co., Ltd. * #	PRC	60%	US$18,000,000	Manufacturing of dry freight containers
Shanghai Reeferco Container Co., Ltd. #	PRC	88.6%	US$22,000,000	Manufacturing of refrigerated containers
Shunde Shun An Da Pacific Container Co., Ltd. * (formerly known as Abacus International Finance Ltd.)	British Virgin Islands	60%	US$1,000	Marketing dry freight and specialised containers in the PRC

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
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. * #	PRC	75%	US$5,100,000	Manufacturing of collapsible flatrack and specialised containers
Singamas Management Services Ltd. *	British Virgin Islands	100%	US$1,000	Provision of management services and marketing containers in the PRC
Singamas Refrigerated Container Ltd. *	British Virgin Islands	100%	Ordinary US$100,000	Investment holding
		73%	Redeemable preferred US$19,400,000	
Singamas Terminals (China) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding and marketing of container depot 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

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Singamas Terminals (Hong Kong) Ltd.	Hong Kong	100%	Ordinary 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. #	PRC	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. #	PRC	51%	US$3,000,000	Provision of container storage, repair and trucking services, and serving as a freight station
Yixing Singamas Metal Products Co., Ltd. * #	PRC	95%	US$200,000	Manufacturing of container parts

* *Subsidiaries held directly by the Company.*
\# *Equity joint venture*

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

The above list gives the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results and assets of the Group.

Other than disclosed above, none of the subsidiaries had any debt securities outstanding at the end of the year.

19 AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Included in the amounts due from subsidiaries is an amount of approximately US$20,964,000 (2002: US$3,969,000) 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.

20 INTERESTS IN ASSOCIATES

	Group		Company	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments, at cost	**–**	–	**8,543**	15,623
Share of net assets	**2,778**	22,881	**–**	–
	2,778	22,881	**8,543**	15,623

Particulars of associates as at 31st December, 2003 are set out below:

Name	Form of business structure	Place of incorporation/ registration and operation	Group equity interest	Proportion of voting power held	Principal activities
Ningbo Victory Container Co., Ltd. #	Incorporated	PRC	40%	40%	Provision of container storage and repair services
Singamas Thai Logistics Co., Ltd. * (formerly known as Singamas Falcon Logistics Co., Ltd.)	Incorporated	Thailand	25%	25%	Provision of container storage and repair services
Yixing Goldrich Welding Metal Co., Ltd.* #	Incorporated	PRC	30%	33.3%	Manufacturing of welding parts

* *Held directly by the Company.*
\# *Equity joint venture*

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments, at cost	**–**	–	**15,839**	8,910
Share of net assets	**36,272**	19,124	**–**	–
Premium on acquisition	**2,052**	2,646	**–**	–
Discount on acquisition	**(7,686)**	(6,068)	**–**	–
	30,638	15,702	**15,839**	8,910

During the year, amortisation of premium on acquisition of a jointly controlled entity amounted to US$594,000 (2002: US$326,000) was charged to the income statement. The premium on acquisition of a jointly controlled entity is amortised over its estimated useful life of 5 years.

The discount on acquisition of a jointly controlled entity, arose on the Group's acquisition of Shanghai Baoshan Pacific Container Co. Ltd., is released to income on a straight-line basis over a period of five years, the remaining weighted average useful life of the depreciable assets acquired. Amortisation for the year amounted to US$1,904,000 (2002: nil) was released to income.

Particulars of jointly controlled entities which are established in the PRC, as at 31st December, 2003 are set out below:

Name	**Group equity interest**	**Proportion of voting power**	**Principal activities**
Dalian Singamas International Container Co., Ltd. #	30%	33.3%	Provision of container storage and repair services
Fuzhou Singamas Container Co., Ltd. # (formerly known as Fuzhou Singamas Warehousing & Trading Co., Ltd.)	40%	40%	Provision of container storage and repair services
Qingdao Pacific Container Co., Ltd. * #	55%	60%	Manufacturing of dry freight and specialised containers

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Name	Group equity interest	Proportion of voting power	Principal activities
Shanghai Baoshan Pacific Container Co., Ltd. #	74%	66.7%	Manufacturing of dry freight and specialised containers
Shanghai Jifa Logistics Co., Ltd. #	25%	22.2%	Provision of container storage, repair and logistics services
Tianjin Pacific Container Co., Ltd. * #	90%	80%	Manufacturing of dry freight and specialised containers
Xiamen Pacific Container Manufacturing Co., Ltd. * #	40%	42.9%	Manufacturing of dry freight and specialised containers

* *Held directly by the Company.*
\# *Equity joint venture*

22 INVESTMENT IN SECURITIES

Group and Company

Investment securities

	2003 **US$'000**	2002 US$'000
Unlisted equity securities	**611**	611

23 OTHER ASSETS

	Group	
	2003	2002
	US$'000	US$'000
At 1st January	**654**	853
Acquired on acquisition of subsidiaries	**228**	–
Amount capitalised	**354**	35
Amount amortised	**(359)**	(234)
At 31st December	**877**	654

24 INVENTORIES

	Group	
	2003	2002
	US$'000	US$'000
Raw materials	**39,775**	19,743
Work in progress	**8,128**	9,244
Finished goods	**33,676**	21,678
	81,579	50,665

The cost of sales recognised during the year was US$401,374,000 (2002: US$153,423,000).

25 ACCOUNTS RECEIVABLE

A defined credit policy is maintained within the Group. The general credit terms are agreed with each of its trade customers depending on the relationship with the Group and the creditworthiness of the customers. The general credit term ranges from 30 days to 120 days. The aging analysis of accounts receivable at 31st December, 2003 is as follows:

	Group	
	2003	2002
	US$'000	US$'000
0 to 30 days	**42,207**	17,022
31 to 60 days	**16,130**	9,167
61 to 90 days	**11,099**	6,151
91 to 120 days	**7,192**	2,154
Over 120 days	**7,437**	2,896
	84,065	37,390

26 ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	Group	
	2003	2002
	US$'000	US$'000
0 to 30 days	**27,073**	8,824
31 to 60 days	**10,275**	6,031
61 to 90 days	**7,839**	4,010
91 to 120 days	**2,465**	2,866
Over 120 days	**4,720**	1,770
	52,372	23,501

27 AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies are as follows:

Name	**Balance as at 31.12.2003 US$'000**	Balance as at 31.12.2002 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (HK) Limited	**1,040**	539	1,914
Xiamen Superchain Logistics Development Co. Ltd.	**133**	99	163
Xiamen Xiangyu PIL Total Logistics Co., Ltd.	**38**	–	63
	1,211	638	2,140

Amounts due from related companies of the Group represent trade receivable balances from Pacific International Lines (HK) Limited ("PIL(HK)"), a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests; Xiamen Superchain Logistics Development Co. Ltd., an investment of the Company in which the Company holds 6.83%; and Xiamen Xiangyu PIL Total Logistics Co., Ltd., in which PIL has beneficial interest. The balance is subject to normal credit terms.

28 SHARE CAPITAL

	Number of shares 2003	2002	2003 US$'000	2003 HK$'000	2002 US$'000	2002 HK$'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**	456,001,760	**5,854**	**45,600**	5,854	45,600
Shares issued for cash	**60,000,000**	–	**770**	**6,000**	–	–
Shares issued on exercise of share options	**3,400,000**	–	**44**	**340**	–	–
Shares issued on increase in interest of a subsidiary	**3,016,000**	–	**38**	**302**	–	–
At 31st December	**522,417,760**	456,001,760	**6,706**	**52,242**	5,854	45,600

On 17th February, 2003, 3,400,000 ordinary shares were issued in relation to the exercise of share options. The market closing price as at that date was HK$2.65 per share.

On 28th April, 2003, 60,000,000 ordinary shares were issued at HK$2.09 per share in relation to a share placement. These shares rank pari passu with the existing shares in all respects. The net proceeds from the placement were used for general funding purposes, including the financing of the Group's acquisitions made during the last two years.

On 21st August, 2003, 3,016,000 ordinary shares were issued at HK$3.355 per share for acquiring 4,083,333 issued ordinary shares of Singamas Refrigerated Container Limited ("Singamas Refrigerated").

29 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 for the primary purpose of providing incentives to eligible employees, subject to a maximum of 10 per cent. of the issued share capital of the Company from time to time. Any option may be exercised at any time from the date on which the option was granted and prior to the expiry of ten years from that date. Consideration of HK$1.00 was received from each of the option holders at the time when the options were granted. During the year, Messrs. Teo Siong Seng and Hsueh Chao En, the only option holders of the Company, subscribed for 3,000,000 shares and 400,000 shares respectively upon exercising their options under the share option scheme. The share option scheme expired on 16th June, 2003 without any outstanding share options.

30 RESERVES

Group	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1st January, 2002						
– The Company and subsidiaries	38,522	246	1,217	1,041	9,239	50,265
– Associates	–	58	105	20	800	983
– Jointly controlled entities	–	–	111	111	595	817
	38,522	304	1,433	1,172	10,634	52,065
Exchange translation differences						
– The Company and subsidiaries	–	–	–	–	–	–
– Associates	–	6	–	–	–	6
– Jointly controlled entities	–	–	–	–	–	–
Net profit for the year	–	–	–	–	14,689	14,689
Dividend paid	–	–	–	–	(1,169)	(1,169)
Transfer from accumulated profits	–	–	359	158	(517)	–
At 1st January, 2003						
– The Company and subsidiaries	38,522	246	1,482	1,164	17,976	59,390
– Associates	–	64	164	20	5,874	6,122
– Jointly controlled entities	–	–	146	146	(213)	79
	38,522	310	1,792	1,330	23,637	65,591
Exercise of share options	698	–	–	–	–	698
Issue of ordinary shares on placing	15,316	–	–	–	–	15,316
Issue of ordinary shares on increase in interest of a subsidiary	1,259	–	–	–	–	1,259
Share issue expenses	(60)	–	–	–	–	(60)
Exchange translation differences						
– The Company and subsidiaries	–	1	–	–	–	1
– Associates	–	39	–	–	–	39
– Jointly controlled entities	–	1	–	–	–	1
Net profit for the year	–	–	–	–	20,370	20,370
Dividend paid	–	–	–	–	(5,543)	(5,543)
Transfer from accumulated profits	–	–	717	119	(836)	–
At 31st December, 2003	55,735	351	2,509	1,449	37,628	97,672
Attributable to :						
– The Company and subsidiaries	55,735	247	2,085	1,270	34,047	93,384
– Associates	–	103	226	20	749	1,098
– Jointly controlled entities	–	1	198	159	2,832	3,190
	55,735	351	2,509	1,449	37,628	97,672

30 RESERVES (CONTINUED)

In accordance with the PRC regulations, the general and development reserves retained by the subsidiaries, associates and jointly controlled entities in the PRC are non-distributable.

As at 31st December, 2003, goodwill totalling of US$9,903,000 (2002: US$9,903,000) had been directly written-off against accumulated profits.

Company	**Share premium** US$'000	**Accumulated profits** US$'000	**Total** US$'000
At 1st January, 2002	38,522	11,647	50,169
Net profit for the year	–	3,409	3,409
Dividend paid	–	(1,169)	(1,169)
At 1st January, 2003	38,522	13,887	52,409
Exercise of share options	698	–	698
Issue of ordinary shares on placing	15,316	–	15,316
Issue of ordinary shares on increase in interest of a subsidiary	1,259	–	1,259
Share issue expenses	(60)	–	(60)
Net profit for the year	–	2,396	2,396
Dividend paid	–	(5,543)	(5,543)
At 31st December, 2003	55,735	10,740	66,475

Distributable reserves of the Company at 31st December, 2003, calculated under section 79B of the Companies Ordinance, amounted to US$10,740,000 (2002: US$13,887,000).

31 BANK BORROWINGS

	Group 2003 US$'000	Group 2002 US$'000	Company 2003 US$'000	Company 2002 US$'000
Bank borrowings comprise the following:				
Bank loans				
Secured				
– due within 1 year	**3,752**	7,915	**–**	2,520
– due more than 1 year, but not exceeding 2 years	**–**	960	**–**	960
– due more than 2 years, but not exceeding 5 years	**–**	–	**–**	–
	3,752	8,875	**–**	3,480
Unsecured				
– due within 1 year	**75,451**	34,978	**–**	4,055
– due more than 1 year, but not exceeding 2 years	**7,500**	8,473	**7,500**	8,473
– due more than 2 years, but not exceeding 5 years	**32,500**	5,727	**32,500**	5,727
	115,451	49,178	**40,000**	18,255
Less: Amount shown under current liabilities	**(79,203)**	(42,893)	**–**	(6,575)
Amount due after one year	**40,000**	15,160	**40,000**	15,160

32 OBLIGATIONS UNDER FINANCE LEASES

Group

	Minimum lease payments 2003 US$'000	Minimum lease payments 2002 US$'000	Present value of minimum lease payments 2003 US$'000	Present value of minimum lease payments 2002 US$'000
The maturity of obligations under finance leases are as follows:				
– within 1 year	**–**	7	**–**	6
	–	7	**–**	6
Less: future finance charges	**–**	(1)	**N/A**	N/A
Present value of finance leases obligations	**–**	6	**–**	6
Less: Amount shown under current liabilities			**–**	(6)
Amount due after one year			**–**	–

The Group leased certain of its fixtures and equipment under finance leases. The average lease term was 3 years. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

33 DEFERRED TAX ASSETS

The Group

The following are the major deferred tax assets recognised by the Group and movements thereon during the current year:

	Accelerated tax depreciation US$'000	Tax losses US$'000	Other assets US$'000	Total US$'000
At 1st January, 2003	–	–	–	–
Credit to income	82	47	103	232
At 31st December, 2003	82	47	103	232

At 31st December, 2003, the Group has unused tax losses of US$11,774,000 (2002: US$9,510,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$266,000 (2002: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining US$11,508,000 (2002: US$9,510,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses and losses of US$833,000 (2002: US$187,000) that will expire in 2007. Other losses may be carried forward indefinitely.

The Company

No deferred tax asset has been recognised in respect of the unused tax losses of US$10,628,000 (2002: US$7,952,000) as it is not certain that the tax losses will be utilised in the foreseeable future.

34 CONTINGENT LIABILITIES

	Group		Company	
	2003 US$'000	2002 US$'000	**2003 US$'000**	2002 US$'000
Guarantees for lease and bank facilities utilised by subsidiaries	**–**	–	**38,373**	6,860
Guarantees for bank facilities utilised by an associate	**–**	5,316	**–**	5,316
Guarantees for bank facilities utilised by jointly controlled entities	**20,132**	12,569	**20,132**	12,569
	20,132	17,885	**58,505**	24,745

35 CAPITAL COMMITMENTS

	Group	
	2003	2002
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**438**	791
Capital expenditure in respect of business acquisition contracted but not provided for *(Note)*	**1,920**	10,320
	2,358	11,111

Note:

On 13th November, 2003, the Company entered into a share transfer agreement with SSCMC Transportation Company Limited ("SSCMC") to acquire an additional 10% equity interest in Guangdong Shun An Da Pacific Container Co., Ltd., formerly known as Shunde Shun An Da Pacific Container Co., Ltd. ("Shun An Da") at a cash consideration of US$1,800,000. Since SSCMC is a substantial shareholder of Shun An Da, SSCMC is a connected person and entering into this agreement constitutes a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Subsequent to 31st December, 2003, the Company has fully paid up the investment cost by its internal fund. After the acquisition, the Company will increase its equity interest in Shun An Da from 60% to 70%. Details of this connected transaction have been disclosed by way of a press notice in compliance with the Listing Rules.

36 OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

	Group		Company	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– in the 1st year	**2,058**	1,940	**287**	231
– in the 2nd to 5th year inclusive	**3,005**	3,478	**143**	428
– beyond 5th year	**4,143**	4,774	**–**	–
	9,206	10,192	**430**	659

Operating lease payments represent rentals payable by the Group for certain of its container depot sites. Leases are negotiated for an average period of 3 to 30 years and rentals are fixed for an average of 2 to 3 years.

37 ACQUISITION OF SUBSIDIARIES

During the year, the Group has acquired an additional 20% equity stake in Shun An Da and an additional 19% equity stake in Foshan Shunde Leliu Wharf & Container Co., Ltd., formerly known as Shunde Leliu Wharf & Container Co., Ltd. ("SLWC"). On completion of these transactions, Shun An Da and SLWC became the 60% and 59% owned-subsidiaries of the Group respectively.

	US$'000
Net assets acquired:	
Property, plant and equipment	42,717
Accounts receivable	77,503
Prepayments and other receivables	6,457
Inventories	24,892
Cash and bank balances	40,087
Other assets	228
Bank loans	(31,045)
Bills payable	(66,207)
Accounts payable	(30,637)
Accruals and other payables	(11,670)
Amount due to group company	(677)
Minority interests	(23,591)
Interests in associates	(20,657)
Total consideration	7,400
Satisfied by:	
Cash	7,400
Net cash inflow arising on acquisition:	
Cash consideration	(7,400)
Cash and bank balances acquired	40,087
	32,687

38 NON-CASH TRANSACTION

During the year, the Company acquired 4,083,333 issued ordinary shares of Singamas Refrigerated at a consideration of US$1,300,000, which was satisfied by the issue of 3,016,000 ordinary shares of the Company at a consideration of US$1,297,000 and the cash payment of US$3,000.

39 RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2003 US$'000	2002 US$'000
Sales to ultimate holding company *(note a)*	**17**	192
Sales to a fellow subsidiary *(note a)*	**1,495**	1,588
Sales to related companies *(note a)*	**9,850**	10,234
Rental paid to a ultimate holding company *(note b)*	**–**	14

Notes:

(a) Sales to ultimate holding company, a fellow subsidiary and related companies were conducted at market prices and on terms no less favourable than those charged to and contracted with other third party customers of the Group. These transactions have been reviewed and confirmed by the Independent Non-executive Directors of the Company. The fellow subsidiary is Pacific International Lines (China) Ltd., in which PIL, a substantial shareholder of the Company, has 100% effective interest. The related companies are PIL (HK), in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests; Xiamen Superchain Logistics Development Co., Ltd., an investment of the Company in which the Company holds 6.83% shareholding; and Xiamen Xiangyu PIL Total Logistics Co., Ltd., in which PIL has beneficial interest.

(b) PIL leased an office space to Singamas Terminals (China) Ltd. under a tenancy agreement for a period of 2 years commencing 1st January, 2001 at a monthly rental of US$1,611. The agreement, which was entered into on normal commercial terms and at market value, was terminated with effect from 1st October, 2002.

The balances with related parties are disclosed in the consolidated balance sheet and note 27. All such balances are subject to normal credit terms and aged mainly from 30 days to 90 days. The amount due from/to ultimate holding company is interest free and repayable on demand.

40 OFF-BALANCE SHEET INSTRUMENTS

As at 31st December, 2003, the Company has outstanding interest rate swap with its notional amount of US$40 million (2002: nil). This off-balance sheet instrument was entered into to hedge against the floating rate interest risk for a term loan granted for the financing of the Company's business acquisitions.

Five Year Financial Summary

	For the year ended 31st December				
	2003	2002	2001	2000	1999
	%	%	%	%	%
Sales Mix (as a percentage of sales)					
Container manufacturing:					
Dry freight	**82**	56	51	68	65
Collapsible flatracks, other specialised containers and container parts	**1**	2	2	2	4
Refrigerated containers	**9**	20	25	13	10
	92	78	78	83	79
Container depot/terminal:					
Hong Kong	**1**	4	5	4	6
PRC (other than Hong Kong and Taiwan)	**3**	9	10	8	9
	4	13	15	12	15
Mid-stream:					
Hong Kong	**4**	9	7	5	6
Total	**100**	100	100	100	100

	TEUs	TEUs	TEUs	TEUs	TEUs
Production volume					
20 foot containers	**146,059**	102,107	57,659	57,660	36,305
40 foot containers	**67,056**	31,934	37,354	36,786	26,478
40 foot high cube containers	**247,454**	171,286	101,972	54,476	38,050
45 foot high cube containers	**5,954**	4,613	3,166	–	–
	466,523	309,940	200,151	148,922	100,833

Five Year Financial Summary *(Continued)*

	For the year ended 31st December				
	2003	2002	2001	2000	1999
	US$'000	US$'000	US$'000	US$'000	US$'000
Turnover	**450,712**	180,637	171,962	179,720	138,056
Profit from operations	**29,723**	15,194	19,395	12,990	7,054
Finance costs	**(4,105)**	(1,829)	(4,192)	(4,557)	(3,580)
Investment income	**299**	120	752	413	599
Share of results of associates	**1,088**	8,023	1,044	1,433	599
Share of results of jointly controlled entities	**5,100**	(511)	682	–	–
Profit before taxation	**32,105**	20,997	17,681	10,279	4,672
Taxation	**(1,874)**	(2,257)	(1,798)	(1,397)	(318)
Profit after taxation	**30,231**	18,740	15,883	8,882	4,354
Minority interests	**(9,861)**	(4,051)	(5,570)	(2,800)	(930)
Net profit for the year	**20,370**	14,689	10,313	6,082	3,424
Earnings per share	**4.07 cents**	3.22 cents	2.26 cents	1.33 cents	0.75 cent
Assets and Liabilities					
Total assets	**428,215**	203,022	187,276	182,797	148,158
Total liabilities	**(274,596)**	(112,431)	(107,343)	(116,217)	(91,104)
Minority interests	**(49,241)**	(19,146)	(22,014)	(18,765)	(15,528)
Shareholders' funds	**104,378**	71,445	57,919	47,815	41,526