SINGAMAS

勝 獅 貨 櫃 企 業 有 限 公 司

SINGAMAS CONTAINER HOLDINGS LIMITED

Annual Report 2004

Contents

Singamas Operations

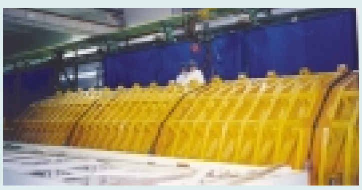
Factories
Tianjin *(Dry Freight & Specialised Containers)*
Qingdao *(Dry Freight Containers)*
Shanghai:
- Shanghai Pacific *(Dry Freight Containers)*
- Shanghai Baoshan *(Dry Freight Containers)*
- Shanghai Reeferco *(Refrigerated Containers)*

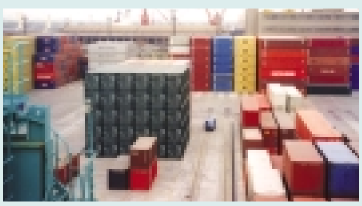
Yixing *(Collapsible Flatrack, Other Specialised Containers & Container Parts)*
Xiamen *(Dry Freight Containers)*
Shunde *(Dry Freight Containers)*
Surabaya *(Dry Freight Containers)*

Depots / Terminals Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen, Hong Kong, Shunde, Laemchabang

Mid-Stream Hong Kong

Logistics Xiamen





Corporate Profile

Singamas Container Holdings Limited was listed on The Stock Exchange of Hong Kong Limited in 1993 and the Singapore Stock Exchange Limited in 1994. After more than 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 is currently supported by nine container factories, eight in the PRC and one in Surabaya, the Republic of Indonesia. A new factory, located in Eastern Guangdong Province, the PRC, will be added and is expected to commence operation by late 2005. We manufacture a wide range of products including dry freight containers, collapsible flatrack containers, open top containers, log carriers for railway, bitutainers, refrigerated containers, other specialised containers and container parts.

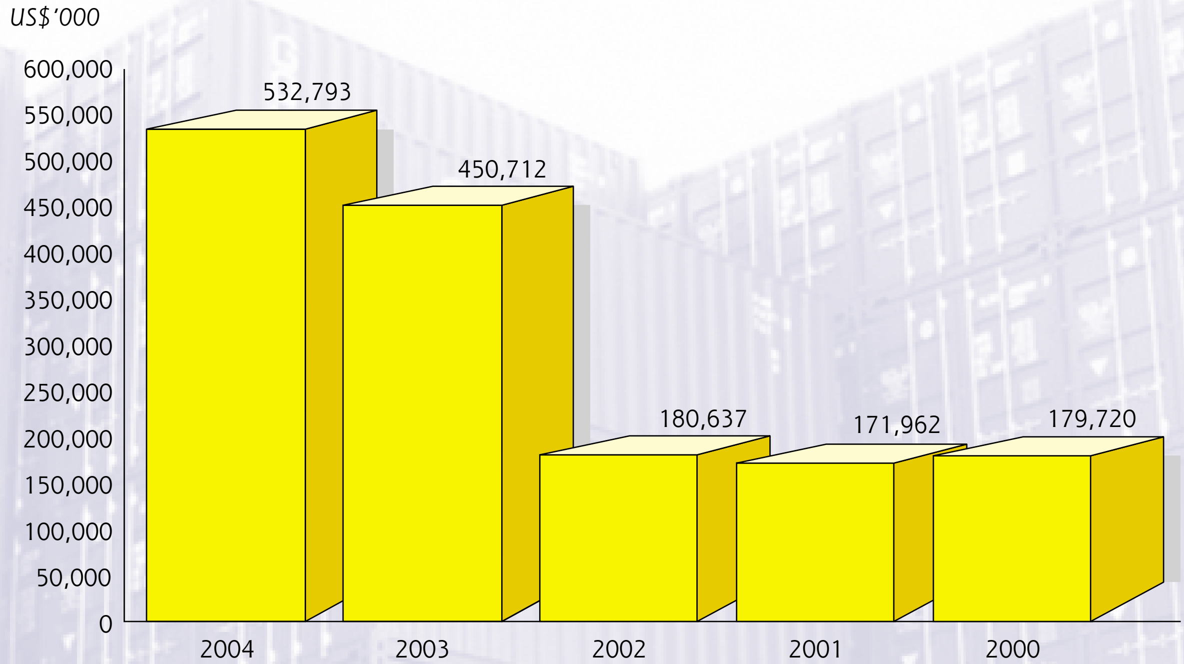
Our logistics business includes container depots/terminals, mid-stream and logistics company. We are running eleven container depots/terminals, eight at the major ports in the PRC - Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen and Shunde, two in Hong Kong and one in Laemchabang, Thailand.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

Financial Highlights

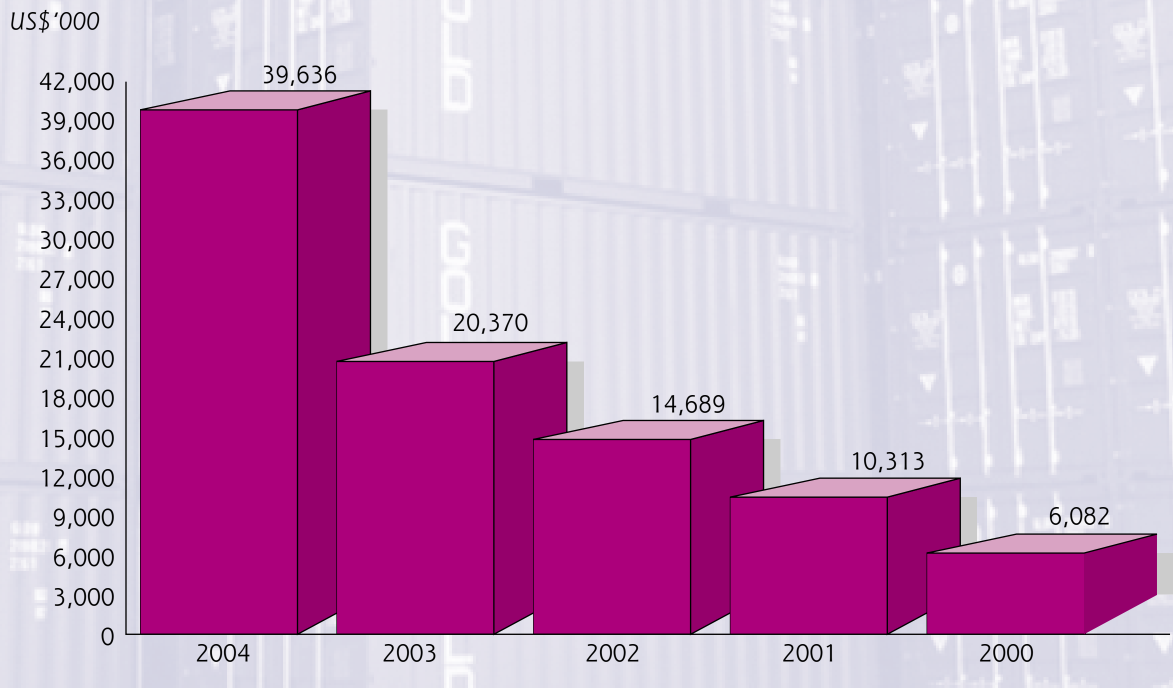
	2004 (US$)	2003 (US$)	2002 (US$)	2001 (US$)	2000 (US$)
Turnover	532,793,000	450,712,000	180,637,000	171,962,000	179,720,000
Profit from operations	32,538,000	29,723,000	15,194,000	19,395,000	12,990,000
Net profit for the year	39,636,000	20,370,000	14,689,000	10,313,000	6,082,000
Earnings per share	7.37 cents	4.07 cents	3.22 cents	2.26 cents	1.33 cents
Net asset value per share	29.57 cents	19.98 cents	15.67 cents	12.70 cents	10.49 cents
Shareholders' funds	180,737,000	104,378,000	71,445,000	57,919,000	47,815,000
Bank balances and cash	69,466,000	44,485,000	22,609,000	22,456,000	18,555,000
Total borrowings *(Note)*	108,437,000	119,203,000	58,059,000	57,045,000	64,071,000
Current ratio	1.35 to 1	1.30 to 1	1.28 to 1	1.20 to 1	1.13 to 1
Gearing ratio	0.60	1.14	0.81	0.98	1.34
Net debt to equity ratio	0.22	0.72	0.50	0.60	0.95
Interest coverage ratio	16.09	11.45	16.65	7.73	4.67

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

TURNOVER

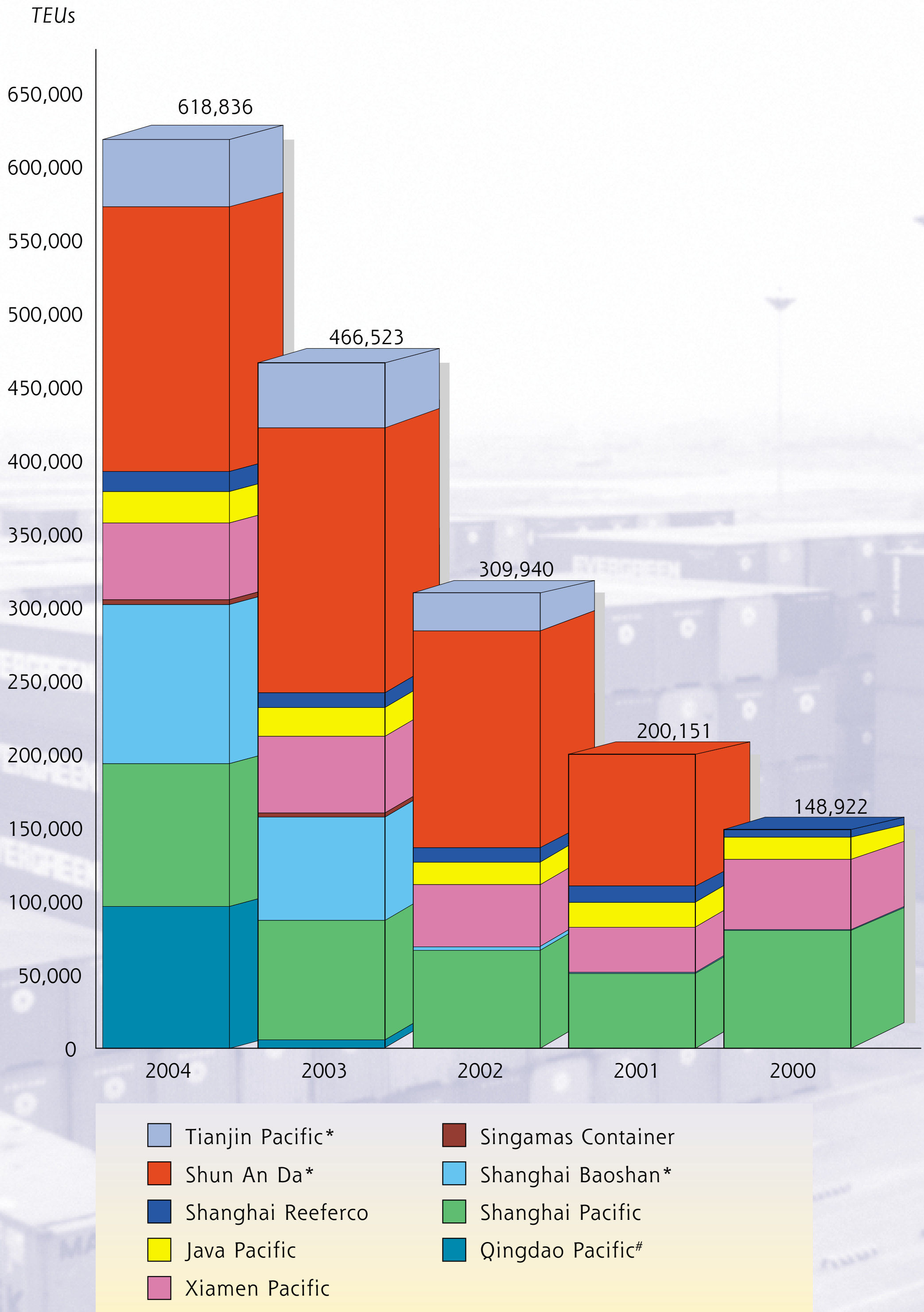


NET PROFIT FOR THE YEAR



Financial Highlights (Continued)

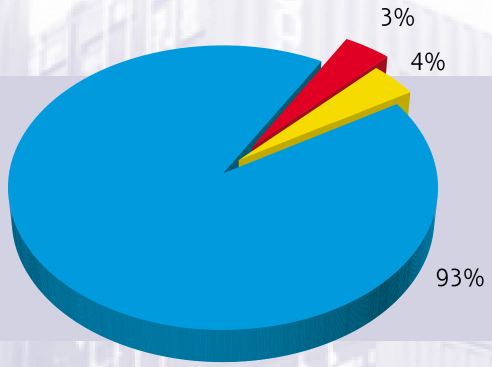
PRODUCTION OUTPUT



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

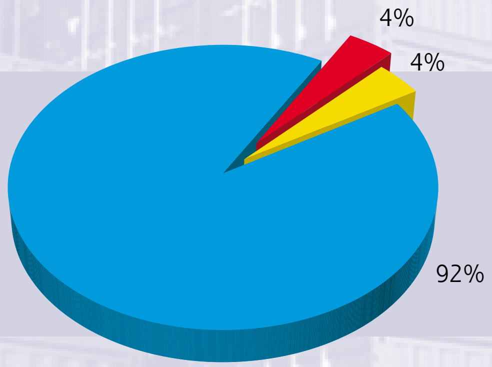
Construction of Qingdao Pacific was completed in October 2003 and the factory has commenced commercial operations in January 2004.

TURNOVER BY BUSINESS SEGMENT



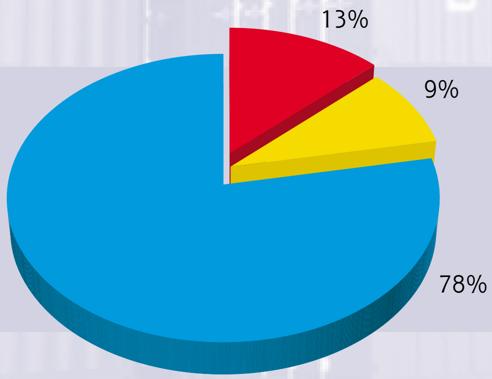
For the year ended 31st December, 2004

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



For the year ended 31st December, 2003

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

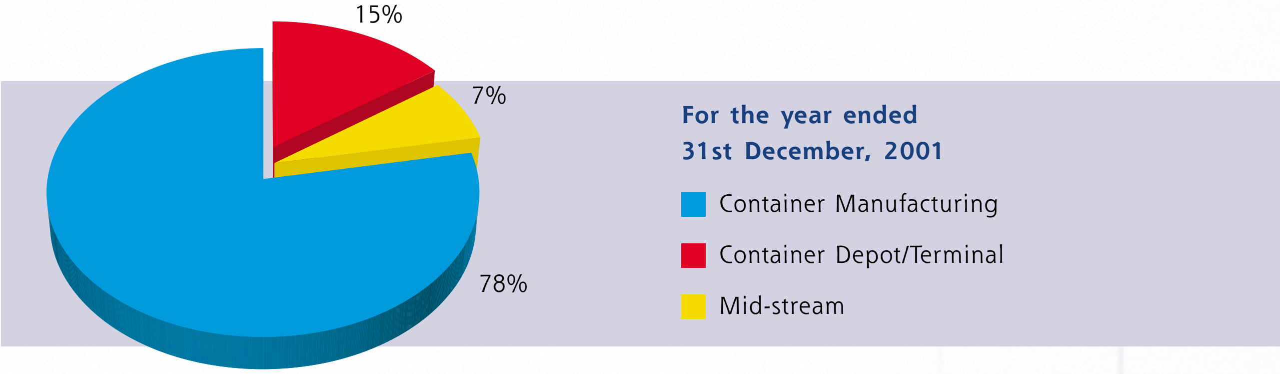


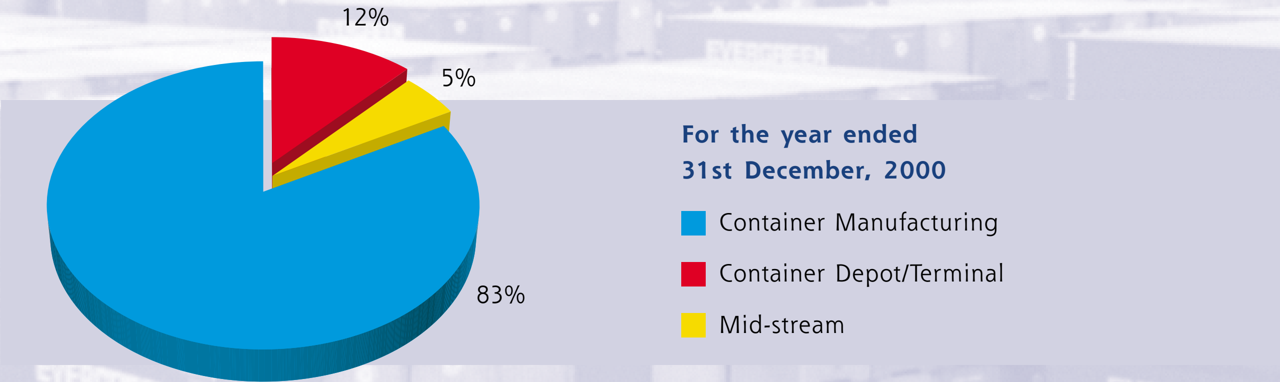
For the year ended 31st December, 2002

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

Financial Highlights (Continued)

TURNOVER BY BUSINESS SEGMENT (CONTINUED)





Corporate Information

Executive Directors
Mr. Chang Yun Chung* *(Chairman)*
Mr. Teo Siong Seng *(Vice Chairman)*
Mr. Hsueh Chao En
Mr. Jin Xu Chu
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
ABSA Bank (Asia) Ltd.
ABN.AMRO Bank N.A.
Bangkok Bank Public Company Limited
Bank of China (Hong Kong) Limited
Banco Bilbao Vizcaya Argentaria, S.A.
Belgain Bank
China Construction Bank
CITIC Ka Wah Bank Limited
DBS Bank Ltd.
HSH Nordbank AG
Hang Seng Bank Limited
ING Bank N.V.
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Limited
Nanyang Commercial Bank, Limited
Overseas-Chinese Banking Corporation Limited
The Bank of Nova Scotia
The Bank of Tokyo-Mitsubishi, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
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. Chang Yun Chung
Chairman

Mr. Teo Siong Seng
President & Chief Executive Officer

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 ("Singamas"/the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2004.

Singamas has been reporting profit growth for the last seven years and this year was no exception. The Group reported a consolidated turnover of US$532,793,000 for the year ended 31st December, 2004, an increase of 18.2 per cent. over that of last year. Consolidated net profit increased by 94.6 per cent. to US$39,636,000. Basic earnings per share reached US7.37 cents, comparing to US4.07 cents last year.

DIVIDEND

In view of these positive results, the Directors proposed to pay a final dividend of HK12 cents per ordinary share for the year ended 31st December, 2004 to members whose names appear on the Register of Members of the Company on 19th May, 2005. Together with the interim dividend of HK4 cents per share (2003: HK3 cents per share), total dividend for the year was HK16 cents per share (2003: HK9 cents per share). Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be sent to shareholders on or before 29th July, 2005. The register of members of the Company will be closed from Friday, 13th May, 2005 to Thursday, 19th May, 2005, both days inclusive, during which period no transfer of shares will be effected.

BUSINESS REVIEW

Riding on the continuous growth in worldwide container traffic especially the PRC booming export market, 2004 proved to be another good year for Singamas. With a GDP growth of 9.5 per cent. and trade surplus reaching six-year high in 2004, the PRC's demand for new containers remained high throughout the year. The phasing in of many new and bigger container vessels, increasing containerisation and the port congestion in North America and Europe also helped to push up demand for new containers.

To match the continuous growth in demand, Singamas increased both the production capacities and utilization rates of its manufacturing plants during the year. Acquisitions were also made to boost the container manufacturing and logistics operations, further strengthening our comprehensive network of container factories and depots that spans major coastal port cities of the PRC. In the meantime, by relocating manufacturing facilities and constructing new plants, the Group has expanded and enhanced its production scale, which allows it to satisfy the increasing demand arising from burgeoning export and container vessel delivery in the years ahead.

CONTAINER MANUFACTURING

As our core business and major growth driver, container manufacturing accounted for 93.5 per cent. of the Group's total turnover in 2004. Turnover for the year increased 19.9 per cent. reaching US$498,228,000, while profit before taxation and minority interests increased 79 per cent. to US$41,182,000. The increase in both turnover and profit was largely due to the rise in container prices and production volume, which was driven by the surging container demand and increasing material costs during the year.

The Group's maximum annual production capacity increased from 540,000 twenty-feet equivalent units ("TEUs") in 2003 to 640,000 TEUs in 2004 after Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific"), a dry freight container factory, which is a jointly controlled entity of and 55% owned by Singamas, commenced full operation in January 2004.

Due to strong container demand, our capacity utilization reached 96.7 per cent. in 2004, much higher than the usual range of 75 to 80 per cent. Group production, including those produced by our associates and jointly controlled entities, reached 618,836 TEUs in 2004, an increase of 32.6 per cent. over 2003. We expect container demand will continue to be strong in the near future. To capture this business opportunity, we have upgraded some of our existing production facilities and our maximum annual production capacity will reach 850,000 TEUs in 2005.

Despite the PRC government's macroeconomic control measures to cool down overheated economic activities, raw material costs, in particular price of hot rolled Corten steel especially thin plate which is used in container manufacturing, continued to increase during the year due to tight supply and strong demand. Both steel and plywood costs are expected to remain high in the foreseeable future. Consequently, average container price for a 20-foot dry freight container was approximately 28 per cent. higher than those of 2003 and as raw material costs are expected to remain at this high level, we expect container prices will sustain at the current level.

Identifying profitable investment opportunities and consolidating business operations have always been Singamas' long-term development strategy. In view of the strong demand in the region, in May 2004, Singamas acquired the remaining 30 per cent. share of Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da"), making it a wholly-owned subsidiary of Singamas. Strategically located in Shunde, Guangdong Province, Shun An Da is the Group's principal dry freight container manufacturing plant in Southern China. In addition, Singamas is in the process of building a new plant in Eastern Guangdong Province to tap on the strong demand in the area. This new factory is expected to commence full operation by end of 2005.

To further increase production capacity and strengthen its delivery capability in Northern China, the Group plans to relocate Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific"), in which Singamas holds 90 per cent. equity interest, to a place that is bigger and nearer to the Tianjin port. By expanding and relocating this factory, transportation cost will reduce and maximum annual production capacity will increase from 50,000 TEUs to 120,000 TEUs. Construction is expected to complete in late 2005 and this factory is expected to commence full operation in January 2006.

All of the Group's manufacturing plants performed well in 2004. In light of the continuous export growth of the PRC and increasing worldwide container traffic, container manufacturing will continue to be the major growth driver of the Group. Singamas will continue to further strengthen and capitalise on its existing manufacturing network to enhance its competitiveness and capture the region's arising opportunities.

LOGISTICS SERVICES

CONTAINER DEPOTS / TERMINALS

During the year, the Group's container depots / terminals handled a total of 4,334,000 TEUs of containers with an average daily container storage of 116,000 TEUs. Total area and storage capacity amounted to about 1.2 million square metres and 160,000 TEUs, respectively. Turnover from this segment decreased by 17.4 per cent. to US$14,945,000 due to the deconsolidation of a subsidiary. On the other hand, profit before taxation and minority interests increased 15.9 per cent. to US$7,359,000.

The drop in turnover was mainly due to the deconsolidation of Xiamen Xiangyu Singamas Container Co., Ltd. ("XXSC"). In March 2004, Singamas Terminals (China) Limited ("STCL"), a wholly-owned subsidiary of Singamas, entered into a share transfer agreement (the "Agreement") with Xiamen Superchain Logistics Development Co., Ltd. ("Xiamen Superchain"), a container logistics company in Xiamen, and Xiamen Xiangyu Group Corporation. Pursuant to the Agreement, STCL transferred its 23 per cent. equity interest in XXSC, originally a 51 per cent. owned-subsidiary of STCL, to Xiamen Superchain in exchange for Xiamen Superchain's 6,990,000 new ordinary shares. Since then, STCL's shareholding in XXSC reduced to 28 per cent. and XXSC became an associate of the Group.

Container throughput at major PRC ports, where the Group's container depots/terminals are located, remained strong. Targeted mainly at domestic investments and overheated primary industries and investments, the PRC Government's macroeconomic control measures had minimal impact on the export market. Furthermore, as domestic raw material costs increased, many PRC manufacturers turned to overseas suppliers for raw materials to support their operations in the PRC, which resulted in rising import volumes. Throughput at major ports thus continued to rise during the reporting period and the Group's PRC container depots were able to benefit from this growth.

In line with the Group's development strategy, STCL entered into another share transfer agreement in December 2004 to acquire the remaining 40 per cent. equity interest in Tianjin Singamas Container Co., Ltd. ("TSC"). Upon completion of this transaction, TSC will become a wholly-owned subsidiary of the Group and we will be able to further develop its depot network and market coverage in the PRC.

Attributable to the effective cost cutting measures in place since early 2003, the Group's Hong Kong container depots managed to turnaround in 2004. Being an essential constituent of the Group's container depot network which extends from Northern PRC to Southeastern Asia, we will continue to enhance operating procedures and profitability of the Hong Kong depots.

MID-STREAM AND LOGISTICS

The strong throughputs at container depots / terminals and surge in PRC exports, which increased container traffic in the PRC, also benefited the Group's mid-stream and logistics services. Turnover and profit before taxation and minority interests for the mid-stream business amounted to US$19,620,000 and US$3,147,000 respectively, increased by 15.1 per cent. and 14.8 per cent. over the previous year. The Group's mid-stream operation handled 361,513 TEUs of containers in 2004, an increase of 9.3 per cent. over last year.

As part of the Group's long-term strategy is to become a total logistics company that offers a full range of container related services through investments and business consolidations, Singamas increased its effective equity interest in Xiamen Superchain from 6.83 per cent. to 14.02 per cent. under the Agreement entered into in March 2004. The move further enhanced our presence in the container logistics industry in the PRC. The Group believes that by gradually expanding the scope of its container related services, it will be able to capture more opportunities arising from the healthy growth of the PRC economy in the years ahead.

SHARE PLACEMENT

A Placing Agreement and a Subscription Agreement were entered into on 19th October, 2004. Pursuant to the Placing Agreement, a total of 88,811,000 existing shares held originally by Pacific International Lines (Private) Limited ("PIL"), the controlling shareholder of the Company, was placed to independent parties at the price of HK$3.93 per share ("Placing Price"). Pursuant to the Subscription Agreement, PIL subscribed for 88,811,000 new shares ("New Shares") issued by the Company at HK$3.81 per share, arrived at the equivalent of the Placing Price net of expenses related to the Placing and Subscription. 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 55.38 per cent. to 47.33 per cent. of the issued share capital.

The net proceeds from the completion of the Placing and Subscription were approximately HK$338.5 million, which were largely intended to be used for expanding and relocating Tianjin Pacific and constructing a new dry freight container factory in Eastern Guangdong Province.

The good response from institutional investors, especially new ones in the United States and United Kingdom, and steady growth in share price and trading volume after the placing reflect the investment community's confidence in Singamas.

PROSPECTS

As global trade flow and demand for PRC manufactured goods continue to increase, demand for containers and logistics services will follow. According to market statistics, global container trade growth in 2005 is projected at around 10.3 per cent., and shipping capacity is expected to grow at above 10 per cent. in 2005 and about 12 to 14 per cent. in 2006, giving rise to steady demand for new containers.

Throughout the years, Singamas has been actively identifying profitable investment opportunities and undertaking business consolidations to prepare itself for the emerging PRC economy. Our consistent business strategy, favourable market environment and strong management team have been the main reasons for Singamas' success over the years. Looking ahead, we will continue to focus on strengthening our core business – container manufacturing – through more efficient use of our production facilities, factory relocation and establishment of new plants. With the relocation of Tianjin Pacific and construction of our new Guangdong plant underway, and on-going efforts to expand capacities of our current operations, we expect our maximum annual production capacity to reach 1.2 million TEUs by 2006. Riding on our solid development plans and comprehensive container factory and depot networks, we are confident that Singamas will be able to achieve continuous healthy growth in the years ahead.

ACKNOWLEDGMENT

On behalf of the Group, I would like to extend my sincere gratitude to our customers and business partners for their continuous support and guidance given to Singamas. I would also like to welcome Mr. Jin Xu Chu as our Executive Director. In addition, I would like to thank my fellow board members and colleagues for all their contributions and hard work over the past year. In the future, we will continue our commitment of achieving good results for the Group and bringing in promising returns for our shareholders.

Chang Yun Chung
Chairman

Hong Kong, 22nd March, 2005

Frequently Asked Questions

1. What significant business achievements has Singamas made in 2004?

A. In 2004, Singamas continued to strengthen our core business – container manufacturing. Accordingly, we have acquired the remaining 30 per cent. stake of Guangdong Shun An Da Pacific Container Co., Ltd., the Group's principal container factory, making it a wholly-owned subsidiary of Singamas. To satisfy the increasing new container demand arising from burgeoning export and new container vessel delivery in the years ahead, in October 2004, Singamas placed 88,811,000 new shares to institutional investors and raised a total of HK$338.5 million (equivalent to approximately US$43.4 million) in net proceeds. This fund will be used mainly for expanding and relocating Tianjin Pacific Container Co., Ltd. (a dry freight and specialised container factory) and constructing a new dry freight container factory in Eastern Guangdong Province. It is expected that these two projects will complete by end of 2005 and will commence full operations in January 2006, whereby the Group's maximum annual production capacity will increase to 1.2 million TEUs by 2006.

2. The global container industry has become an oligopoly. What long-term plans does Singamas have to further capture market share?

A. Market share is not our main focus. We feel that it is more important to meet customers' demand and to maintain or expand our profitability. It is not Singamas' business objective to grow market share at the expense of our profit. In order to maintain profit growth, we need to be competitive in the market. Since we have already achieved economies of scale and possess multi-location delivery capability, as a major player in the market, our competitiveness is unquestionable. In order to meet the increasing container demand in the years ahead, we have been actively expanding our production capacity and we will be capturing market share along the way.

3. Singamas has been actively consolidating its business and increasing production capacity through acquisitions, plant relocation and construction. What makes Singamas so confident about the future demand for containers?

A. As global trade flow and demand for PRC manufactured goods continue to increase, demand for containers and logistics services will follow. According to market statistics, global container trade growth in 2005 is projected at around 10.3 per cent., and shipping capacity is expected to grow at above 10 per cent. in 2005 and about 12 to 14 per cent. in 2006. Trade growth, increasing worldwide container traffic, the phasing in of many new and bigger container vessels in the next few years, increasing containerisation, port congestion in North America and Europe and expected increase in replacement of old container from 2007 onwards are expected to give rise to steady demand for new containers.

4. How are you doing with the construction of the new Guangdong plant?

A. The site has been selected and our land application is now under the final approval stage. Once approval is obtained from the relevant local authorities (which is expected to be granted within one month's time) construction could begin. Based on our schedule, this new plant will be ready for trial production before the end of 2005 and commercial operation will commence in January 2006.

5. What impact did the continuously high raw material costs have on the Group's turnover and margin? Why haven't raw material costs come down even with the PRC Government implementing economic austerity measures?
A. The high raw material costs, especially hot rolled Corten steel thin plate used in container manufacturing, have increased our selling prices. We have been able to pass on the cost increments to our customers and as a result, we were able to maintain our overall margin. As the economic austerity measures implemented by the PRC Government are targeted mainly at domestic investments and overheated primary industries and investments, they have minimal impact on the export market, the market of which is driving new container demand. Moreover, the steel plate used in container manufacturing is very specialised with limited supply. The high demand and short supply situation drove up raw material costs and as demand will remain strong, we do not expect raw material costs to come down in the foreseeable future.

6. Taking into account the continuously high material costs and tight raw material supply in the PRC, has Singamas been exploring other possible sources for raw materials?
A. We have always been sourcing raw materials locally from PRC suppliers as well as from overseas. The procurement decision largely depends on supply, price, quality and delivery time. This is an ongoing decision process. However, if supply is available, we tend to purchase more from the local PRC suppliers as it is more convenient and generally lower in price. On the other hand, thin steel plates are normally sourced from overseas suppliers in Japan, Korea and Taiwan.

7. Some economists expect PRC export growth to slow down and thus container demand to also grow less rapidly in the coming years. How will that affect the Group's business?
A. Even if PRC export growth were to slow down in the coming years, we expect the PRC's export market will continue to grow positively. As long as the export market remains healthy, there will always be demand for new containers. Besides, the phasing in of many new and bigger container vessels and increasing containerisation will create additional demand for containers in the next few years. We also expect that the replacement cycle for old containers will pick up by year 2007/2008 when those below US$1,800 old containers are up for refurbishment. In view of these aforesaid factors, we do not perceive any significant impact on our business from the slowing down of export growth.

8. How will the lifting of textile quotas, consistently high oil prices and weak US dollar affect the Group's business?
A. We expect that:

- the lifting of textile quotas will increase the PRC's exports and new container demand;
- consistently high oil prices will keep raw materials costs at relatively high levels; thus, container selling prices will remain high;
- weak US dollars should not have a material impact on the Group's business since a majority of the Group's revenues and costs are in US dollars; and
- continual high oil price and weak US dollars may affect consumer demand.

9. What is the expected group production in 2005? What will the price trend of containers be like in 2005?
A. The current market conditions are very favourable for container manufacturers. We expect our production in 2005 to grow at a healthy rate. In view of the high material costs, we expect container selling prices to remain high in 2005.

10. What are the major benefits of operating a comprehensive container factory and depot/terminal network? Does the Group have any plans to further extend its existing network to other parts of the region?

A. The major benefits of operating on a comprehensive container factory and depot/terminal network are:

- customers are better served as the Group is providing them "one-stop" services;
- enhancing the Group's multi-location delivery capability; and
- increasing the Group's competitiveness in the market.

As said above, we will further extend our existing network by establishing a new factory in Eastern Guangdong Province. Other than this new factory, we also have some other plans in mind but they are still under discussion and too early to be disclosed at the moment. We will make relevant announcements in due course as soon as our plans are materialised.

11. Singamas' long-term strategy is to become a total logistics company, what has been done during the year in relation to strengthening its logistics operations or extending its service scope to include more container related services?

A. As part of the Group's long-term strategy is to become a total logistics company that offers a full range of container related services through investments and business consolidations, Singamas increased its effective equity interest in Xiamen Superchain Logistics Development Co., Ltd., a container logistics company in Xiamen, from 6.83 per cent. to 14.02 per cent. under a share transfer agreement entered into in March 2004. The move further enhanced our presence in the container logistics industry in the PRC.

In line with the Group's development strategy, Singamas' wholly-owned subsidiary – Singamas Terminals (China) Limited entered into another share transfer agreement in December 2004 to acquire the remaining 40 per cent. equity interest in Tianjin Singamas Container Co., Ltd. ("TSC"). Upon completion of the transaction, TSC will become a wholly-owned subsidiary of the Group and we will be able to further develop our depot network and market coverage in the PRC.

The Group believes that by gradually expanding the scope of its container related services, it will be able to capture more opportunities arising from the healthy growth of the PRC economy in the years ahead. In line with this business objective, our Shanghai depot has obtained a freight forwarder licence at the end of 2003 and our Qingdao depot will be applying this licence in 2005.

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

A. The Group is still expanding and we need to reserve certain portion of our profit to fund our expansion plans. Besides, it is one of Singamas' objectives to pay down bank borrowings to lower our gearing ratios. At the same time, we realise the need to provide our shareholders a reasonable return for their investment made in our Company by making a stable stream of dividend payments to them. Our Board's current guideline on future dividend payout is about 25 to 30 per cent. of the Group's consolidated net profit for the year.

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. Jin Xu Chu	*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*

Brief biographical 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 86, 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 also the Chairman of Pacific International Lines (H.K.) Ltd., of Hong Kong, the Maya Group of companies, 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 50, appointed on 20th April, 1993, 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 the Managing Director of PIL in October 1992. Mr. Teo is the Executive Director of various PIL subsidiaries and joint venture companies whose activities include shipowning, liner shipping, ship agency, freight forwarding, ship management, container manufacturing and depot/warehousing logistics park, supply chain management and travel. Mr. Teo is a Council Member of Singapore Chinese Chamber of Commerce & Industry, President of Singapore Shipping Association and Chairman of Singapore Maritime Foundation. He sits on the board of Standard Steamship Owner's Protection & Indemnity Association (Bermuda) Limited and Through Transport Mutual Insurance Association Limited. Mr. Teo beneficially owned 13,234,000 shares of the Company and Mr. Teo has personal interest in 120,000 shares and representing 0.65 per cent. of the issued capital of PIL, an associated corporation of the Company, within the meaning of Part XV of the Securities and Future Ordinance ("SFO"). Save as disclosed above, he had no other interest in the shares of the Company within the meaning of Part XV of SFO. Mr. Teo does not have any service contract with the Company. With reference to the remuneration policy of the Company, he is entitled to an annual remuneration (including discretionary performance bonus) of US$1,264,000 (HK$9,846,000) and an annual director's fee of US$26,000 (HK$200,000) for the year of 2004. Mr. Teo is not appointed for a specific term and he, being as the Managing Director of the Company, is not subject to retirement and re-election in annual general meetings of the Company in accordance with articles of association of the Company. Save as disclosed above, Mr. Teo has not held any directorship in other listed public companies during the last three years.

Mr. Hsueh Chao En[#], *Dip. Eng.*, aged 52, appointed on 16th May, 1997, joined Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific"), a 60 per cent. owned-subsidiary of the Company, 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. Prior to joining the Company, he had over 10 years' experience as a Plant Manager in various container manufacturing plants in Taiwan.

Mr. Jin Xu Chu#, aged 58, appointed as Executive Director of the Company on 31st December, 2004. He studied at the Shanghai Jiao Tong University, joined Shanghai Pacific in May 1989. Mr. Jin is currently a general manager and a director of various manufacturing operating units of the Company. He has more than 25 years of experience in the container manufacturing industry in China.

Mr. Teo Tiou Seng#, aged 52, appointed on 26th June, 1996 as Executive Director of the Company and is also a director of various subsidiaries of the Company. Mr. Teo is a son of Mr. Chang Yun Chung and has been engaging 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 22 years of working experience in container transport business and is also a director of PIL and the Managing Director of Pacific International Lines (H.K.) Limited.

Mr. Kuan Kim Kin#, aged 57, appointed as Non-Executive Director of the Company on 15th July, 1998. He is currently the Executive Director (Finance) of PIL. He was previously 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 24 years in various key financial, management and accounting positions across diverse business groups, including public listed companies in Malaysia.

Mr. Ngan Man Kit, Alexander#, aged 54, 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 31 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 51, appointed as Independent Non-Executive Director of the Company in 17th May, 1997. Mr. Ong is currently the Chairman of a number of companies including Ong First Holdings Co., Ltd., Ong First Tradition 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 28 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 59, was 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 and ORIX Leasing Singapore 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 Holdings Pte. Ltd., DBS Finance Ltd. and DBS Computer Services Pte. Ltd. Mr. Soh is currently on the Boards of two publicly listed companies in Singapore. These are Speedy-Tech Electronics Ltd. and EnGro Corporation Ltd. He was also previously on the Board of Gul Technologies Singapore Ltd., another publicly listed company in Singapore.

These Directors are subject to retirement and re-election at the forthcoming annual general meeting in accordance with the Company's Articles of Association. For details of their respective profiles, please refer to the Circular accompanied with this Annual Report.

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
Mr. Jin Xu Chu	Executive General Manager – 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.

Mr. Jin Xu Chu, joined Shanghai Pacific in May 1989. 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 42, 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 17 years of combined experience in public accountancy, manufacturing, distribution and construction.

Mr. Chan Kwok Leung, Andy, aged 47, 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 of combined 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 49, 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 20 years of combined experience in shipping and container depot management. Prior to joining the Company, he was the Managing Director of a Hong Kong based shipping agency.

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, 2004.

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, 2004 by principal activity is as follows:

Analysis by principal activity

	Turnover	**Contribution to profit before taxation**
	US$'000	US$'000
Container manufacturing	498,228	24,204
Logistics services		
Container depot/terminal	14,945	5,190
Mid-stream	19,620	3,144
	532,793	32,538
Finance costs		(5,193)
Investment income		1,221
Share of results of associates		1,285
Share of results of jointly controlled entities		21,837
Profit before taxation		51,688

An analysis of the Group's turnover for the year ended 31st December, 2004 by geographical market is as follows:

Analysis by geographical market

	Turnover
	US$'000
Europe	155,210
Hong Kong	135,819
United States	87,779
PRC (other than Hong Kong and Taiwan)	38,530
Taiwan	33,386
Singapore	24,195
Others	57,874
	532,793

Results and Appropriations

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 33.

The Directors recommend the payment of a final dividend of HK12 cents per share (2003: HK6 cents per share). Together with the interim dividend of HK4 cents per share (2003: HK3 cents per share), total dividend for the year was HK16 cents (2003: HK9 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend is payable on or before 29th July, 2005 to those shareholders whose names appear on the Register of Members of the Company on Thursday, 19th May, 2005. The register of members of the Company will be closed from Friday, 13th May, 2005 to Thursday, 19th May, 2005, both days inclusive, during which period no transfer of shares will be effected.

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 79 to 80.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 29 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 and Financial Resources

As at 31st December, 2004, the Group had bank balances and cash of US$69,466,000 (2003: US$44,485,000) and total interest-bearing borrowings of US$108,437,000 (2003: US$119,203,000). This represented a gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over shareholders' funds, of 0.6 (2003: 1.14) 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$69,466,000) over the shareholders' fund, of 0.22 (2003: 0.72). Despite the substantial increase in working capital requirements as a result from rising material costs and strong container demand, total interest-bearing borrowings decreased from 2003. The Company completed a share placement in October 2004 and raised a total of approximately HK$338,500,000 (or equivalent to approximately US$43,400,000) mainly for the relocation and expansion of Tianjin Pacific Container Co., Ltd ("Tianjin Pacific") and construction of a new container factory in Eastern Guangdong Province. The Company will inject, in stages, the investment cost of these two projects in 2005. Prior to the financial year ended 31st December, 2004 and before the payment of the aforesaid investment cost, the Company used the US$43.4 million net proceeds from the share placement received in October 2004 to repay some of the outstanding working capital loans; thereby, reduced the Group's total interest-bearing borrowings. The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 16.09 times in 2004, compared to 11.45 times in 2003.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. The Group's revenues are mostly transacted in US$ and the Group maintains cash balances mainly in US$, same is true for its machinery and material purchases. To a much lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. The majority of the Group's borrowings, approximately 94.1 per cent. of the total as at 31st December, 2004 was in US$ 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 as at year end date, the maturity profile spread over a period of three years with US$68,087,000 repayable within one year and US$40,350,000 within two to three years. The Group's borrowings are principally on a floating rate basis. As at 31st December, 2004, the Company has outstanding interest rate swap with its notional amount of US$40 million (2003: US$40 million) 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 30 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$16 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 2004, the Group made the following acquisitions and disposals:

- disposed 23 per cent. equity interest in Xiamen Xiangyu Singamas Container Co., Ltd. ("XXSC") (a container depot in Xiamen, the PRC) in exchange for 6,990,000 new ordinary shares of Xiamen Superchain Logistics development Co., Ltd. ("Xiamen Superchain) (a container logistics company in Xiamen, the PRC);

- acquired an additional 30 per cent. equity interest in Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da") (a dry freight container manufacturing factory in Shunde, Foshan, the PRC); and

- acquired an additional 40 per cent. equity interest in Tianjin Singamas Container Co., Ltd. ("TSCL") (a container depot in Tianjin, the PRC).

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

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

On 26th March, 2004, Singamas Terminals (China) Limited ("STCL"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Xiamen Superchain, in which the Company was holding 6.83 per cent. equity interest at that time, and Xiamen Xiangyu Group Corporation ("Xiamen Xiangyu"). Pursuant to the share transfer agreement, STCL transferred its 23 per cent. equity interest in XXSC, which was a 51 per cent. owned-subsidiary of STCL, to Xiamen Superchain for a consideration of RMB8.3 million (equivalent to approximately US$1 million) and Xiamen Xiangyu transferred its entire 30 per cent. equity interest in XXSC to Xiamen Superchain at a consideration of RMB10.8 million (equivalent to approximately US$1.3 million). Xiamen Superchain paid the aforesaid considerations by the issue of its 6,990,000 and 9,120,000 new ordinary shares to STCL and Xiamen Xiangyu, respectively. Since Xiamen Xiangyu was a substantial shareholder of XXSC, holding 30 per cent. equity interest in XXSC and was a controlling shareholder of Xiamen Superchain, holding 69.23 per cent. equity interest in Xiamen Superchain, Xiamen Xiangyu was a connected person and the entering into this agreement constituted a connected transaction under Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Details of this connected transaction have been disclosed by way of a press notice in compliance with the Listing Rules. Upon completion of this acquisition in July 2004, the Group's effective equity interest in Xiamen Superchain increased from 6.83 per cent. to 14.02 per cent. and on the other hand, its equity interest in XXSC decreased from 51 per cent. to 28 per cent..

On 7th May, 2004, the Company entered into a share transfer agreement with SSCMC Transportation Company Limited ("SSCMC Transportation") under which the Company agreed to purchase from SSCMC Transportation a 30 per cent. equity interest in Shun An Da at a consideration of US$5,400,000 for cash which has been funded by internal resources of the Group. In view that SSCMC Transportation was a substantial shareholder of Shun An Da holding 30 per cent. equity interest in Shun An Da, SSCMC was a connected person and the entering into this agreement constituted a connected transaction under the Listing Rules. As each of the percentage ratios of the five size tests performed exceeded 2.5 per cent. and HK$10,000,000, the entering of this agreement also constituted a discloseable transaction under the Listing Rules and the transaction would normally be subject to independent shareholders' approval under the Listing Rules. Pacific International Lines (Private) Limited ("PIL"), who was not interested in this transaction other than its shareholding in the Company, is the controlling shareholder of the Company and it had given a written certificate that they would vote in favour of the resolution to approve this transaction. Accordingly, the Company had applied to the Stock Exchange for and been granted a waiver from the requirement for this transaction to be approved by shareholders at a general meeting. Details of this connected and discloseable transaction have been disclosed by way of a press notice in compliance with the Listing Rules. Upon completion of this transaction in June 2004, Shun An Da has become a wholly-owned subsidiary of the Company.

On 21st December, 2004, STCL, entered into a share transfer agreement with Tianjin Municipality Tanggu District Wu Jia Yuan Container Warehousing and Transportation Corporation ("TMJY") under which STCL agreed to purchase from TMJY a 40 per cent. equity interest in TSCL at a consideration of RMB6,998,236 in cash which has been funded by internal resources of the Group. The consideration represented approximately 18 per cent. discount to the net assets of TSCL as at 31st December, 2003. In view that TMJY was a substantial shareholder of TSCL holding 40 per cent. equity interest in TSCL, TMJY was a connected person and the entering into this agreement constituted a connected transaction under the Listing Rules. Details of this connected transaction have been disclosed by way of a press notice in compliance with the Listing Rules. Upon completion of this acquisition, TSCL will become a wholly-owned subsidiary of the Group.

Continuing Connected Transaction

Singamas Terminals (Hong Kong) Limited ("STHK"), a company engages in the business of provision of mid-stream services and a wholly-owned subsidiary of the Company, has been providing mid-stream services to Pacific International Lines (H.K.) Limited ("PILHK") under a terminal agreement dated 1st January, 2004 (the "2004 Agreement"), which was expired on 31st December 2004. On 12th January, 2005, STHK entered into a terminal agreement (the "Terminal Agreement") with PILHK to take effect retrospectively from 1st January, 2005, for a term of three years. The Terminal Agreement has replaced the 2004 Agreement. PILHK, a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors and shareholders of PIL, have beneficial interests, is an associate of PIL, the controlling and substantial shareholder of the Company, as defined under the Listing Rules. Accordingly, PILHK is a connected person of the Company under the Listing Rules. The 2004 Agreement and the Terminal Agreement involve transactions, which occur on a recurring basis over a period of time; therefore, the transactions constitute continuing connected transactions of the Company under the Listing Rules and will normally subject to the requirements of reporting, announcement and independent shareholders' approval under the Listing Rules.

It is estimated that the amount of STHK's transactions with PILHK, on annual basis, for the three years commencing 1st January, 2005 will exceed 1 per cent. threshold in Rule 14A.31(7) but will not exceed 2.5 per cent. for each of the percentage ratios, other than the profits ratio, in the threshold tests in Rule 14A.34 of the Listing Rules. Accordingly, the transactions are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirements. Details of these continuing connected transactions have been disclosed by way of a press notice in compliance with the Listing Rules.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and are in the opinion that:–

(1) such continuing connected transactions have been and are entered into in the ordinary and usual course of business of the Group, conducted on normal commercial terms and entered into in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and on terms no less favourable than those available to or from independent third parties; and

(2) The total amount of such transactions for the year ended 31st December, 2004 did not exceed the annual cap of HK$56 million.

The auditors of the Company have issued a letter to the Directors in relation to the compliance of the conditions prescribed in the Listing Rules in respect of the continuing connected transactions as mentioned above.

Share Placement

A Placing Agreement and a Subscription Agreement were entered into on 19th October, 2004.

Under the terms of the Placing Agreement, a total of 88,811,000 existing shares held originally by PIL was placed to independent parties at the price of HK$3.93 per share ("Placing Price"). Pursuant to the Subscription Agreement, PIL subscribed for 88,811,000 new shares ("New Shares") issued by the Company at HK$3.81 per 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 55.38 per cent. to 47.33 per cent. of the issued share capital.

The net proceeds from the completion of the Placing and Subscription were approximately HK$338.5 million (or equivalent to approximately US$43.4 million), which were largely intended to be used for:

(1) the relocation and expansion of a dry freight and specialised container factory in Tianjin operated by Tianjin Pacific in which the Company holds 90 per cent. equity interest (the remaining 10 per cent. is held by Sinotrans Tianjin Group Co. Ltd., a company incorporated in the PRC). By relocating this factory to a place nearer to a port and expanding this factory, the maximum annual production capacity of this factory is expected to increase from 50,000 TEUs to 120,000 TEUs; and

(2) financing the land and related construction costs for the establishment of a new dry freight container factory in Eastern Guangdong Province. This factory is expected to have a maximum annual production capacity of 250,000 TEUs with two production lines.

Charges on Assets

As at 31st December, 2004, certain assets of the Group with aggregate carrying value of US$13,216,000 (2003: US$7,681,000) were pledged as securities for credit facilities granted by banks to subsidiaries in the PRC.

Contingent Liabilities

During 2004, 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, 2004, total amount of bank facilities, of which guarantees were provided, utilised by the jointly controlled entities was US$50,811,000.

Share Capital

During the year, the Company issued a total of 88,811,000 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. Jin Xu Chu *(appointed on 31st December, 2004)*
Mr. Teo Tiou Seng
Mr. Kuan Kim Kin#
Mr. Ngan Man Kit, Alexander*
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.

The term of office for Independent Non-Executive Directors of the Company are subject to retirement and re-election at annual general meetings in accordance with the Company's Articles of Association.

The Company has received annual confirmation of independence from Messrs. Ngan Man Kit, Alexander, Ong Ka Thai and Mr. Soh Kim Soon and considered these Directors as independent.

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 Institute of Certified Public Accountants in December 1997. During the year under review, the Committee met three times.

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

Directors' Interests

As at 31st December, 2004, 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 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		
Name	**Capacity**	**Personal Interest**	**Corporate Interest**	**Percentage of Issued Shares**
Mr. Chang Yun Chung	Beneficial Owner	–	291,984,178 *(Note)*	47.77
Mr. Teo Siong Seng	Beneficial Owner	13,234,000	–	2.17

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 16,560,000 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 5.77 per cent. of the issued share capital and 8,067,500 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.

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.

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, pursuant 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, 2004, 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:

		Number of Ordinary Shares of HK$0.10 Each		**Percentage of Total Issued**
Name	*Notes*	**Direct Interest**	**Indirect Interest**	**Shares**
J.P. Morgan Chase & Co.	*(1)*	–	47,816,832(L)#	7.82
		–	14,808,832(P)#	2.42
Madam Lee Kheng Wah	*(2)*	–	291,984,178(L)#	47.77
PIL	*(3)*	291,984,178(L)#	–	47.77
Y.C. Chang & Sons Private Limited	*(4)*	–	291,984,178(L)#	47.77

 # (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 Holdings Inc., JF International Management Inc., JF Asset Management (Taiwan) Limited, JF Asset Management Limited, JF Funds Limited, J.P. Morgan Fleming Asset Management (Asia) Inc. 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, 2004, 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.

Compliance with the Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this Annual Report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Compliance with the Model code

The Company has adopted a code of conduct regarding directors' securities transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, none of the Directors has not complied with, for any part of the accounting period covered by this Annual Report, the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction.

Directors' Service Agreement

As at 31st December, 2004, 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	23.8
Percentage of purchases attributable to the Group's five largest suppliers	39.8
Percentage of sales attributable to the Group's largest customer	16.0
Percentage of sales attributable to the Group's five largest customers	36.6

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, 2004, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 5,492 (2003: 5,476) full-time employees. Staff costs (including directors' emoluments) amounted to US$24.8 million (2003: US$26.3 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.

Sufficiency of Public Float
Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

Disclosure Pursuant to Rule 13.21 of the Listing Rules
On 30th September, 2003, the Company and a syndicate of banks entered into a facility agreement (the "Facility Agreement") for US$30,000,000 term loan and US$10,000,000 revolving credit facilities, both on a term of four years. The Facility Agreement includes conditions, which continue to exist, to the effect that (i) PIL, the controlling shareholder of the Company, continues to be the single largest shareholder of the Company and (ii) PIL owns (legally or beneficially) more than 45 per cent. of the total issued share capital of the Company. A breach of any of the above conditions will constitute an event of default under the Facility Agreement. This disclosure is made in accordance with the continuing disclosure requirement under the Listing Rules.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

From 11th June, 2003 to 30th September, 2004, both dates inclusive, the Company and certain banks had entered into certain guarantee agreements for the provision of the corporate guarantees upto a maximum liability of US$103,662,000 by the Company, on a joint and several basis, to these banks in securing certain uncommitted general banking facilities ("Banking Facilities") of Qingdao Pacific Container Co., Ltd., Shanghai Baoshan Pacific Container Co., Ltd., Tianjin Pacific Container Co., Ltd. and Xiamen Pacific Container Manufacturing Co., Ltd., the jointly controlled entities of the Group, which are treated as affiliated companies of the Company under the Listing Rules. As at 31st December, 2004, Banking Facilities utilised by these affiliated companies totalled US$50,811,000.

As at 31st December, 2004, guarantees in the total amount of US$103,662,000 given for banking facilities granted to its affiliated companies by the Company represented approximately 31.3 per cent. of the Company's market capitalisation, which amounted to approximately HK$2,582,442,000 based on the average closing price of HK$4.225 per share for the five business days immediately preceding 31st December, 2004.

The proforma combined balance sheet of the affiliated companies as at 31st December, 2004, which includes the assets and liabilities of the aforesaid four jointly controlled entities, is as follows:

	US$'000
Non-current assets	79,392
Current assets	319,217
Current liabilities	(265,390)
Net current assets	53,827
Non-current liabilities	(4,350)
Minority interests	(69,290)
Attributable interest of the Group	59,579

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, 22nd March, 2005

Deloitte.
德勤

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

We have audited the financial statements on pages 33 to 78 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 Institute of Certified Public 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, 2004 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, 22nd March, 2005

Consolidated Income Statement

For the year ended 31st December, 2004

	Notes	**2004 US$'000**	2003 US$'000
Turnover	4	**532,793**	450,712
Other operating income		**2,084**	1,696
Changes in inventories of finished goods and work in progress		**76,684**	(10,089)
Raw materials and consumables used		**(475,039)**	(326,633)
Staff costs		**(24,814)**	(26,311)
Depreciation and amortisation expenses		**(8,237)**	(7,673)
Other operating expenses		**(70,933)**	(51,979)
Profit from operations	6	**32,538**	29,723
Finance costs	7	**(5,193)**	(4,105)
Investment income	8	**1,221**	299
Share of results of associates		**1,285**	1,088
Share of results of jointly controlled entities		**21,837**	5,100
Profit before taxation		**51,688**	32,105
Taxation	11	**(4,345)**	(1,874)
Profit after taxation		**47,343**	30,231
Minority interests		**(7,707)**	(9,861)
Net profit for the year	12, 29	**39,636**	20,370
Earnings per share	14		
Basic		**US7.37 cents**	US4.07 cents
Diluted		**N/A**	US4.07 cents

Consolidated Balance Sheet

As at 31st December, 2004

	Notes	2004 US$'000	2003 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**90,778**	85,885
Patents	*16*	**1,020**	1,226
Goodwill	*17*	**880**	1,120
Interests in associates	*20*	**4,063**	2,778
Interests in jointly controlled entities	*21*	**55,516**	30,638
Investment in securities	*22*	**1,614**	611
Deferred tax assets	*31*	**209**	232
Other assets	*23*	**879**	877
		154,959	123,367
Current assets			
Inventories	*24*	**181,134**	81,579
Accounts receivable	*25*	**54,280**	84,065
Prepayments and other receivables		**66,876**	82,823
Amounts due from fellow subsidiaries		**146**	269
Amounts due from associates		**23**	10
Amounts due from jointly controlled entities		**14,694**	8,961
Amounts due from related companies	*27*	**290**	1,211
Tax recoverable		**1,246**	1,445
Pledged deposit	*32*	**6,790**	–
Bank balances and cash		**62,676**	44,485
		388,155	304,848
Total assets		**543,114**	428,215

Consolidated Balance Sheet (Continued)

For the year ended 31st December, 2004

	Notes	2004 US$'000	2003 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	**7,844**	6,706
Share premium	29	**98,011**	55,735
Accumulated profits	29	**67,745**	37,628
Other reserves	29	**7,137**	4,309
		180,737	104,378
Minority interests		**33,775**	49,241
		214,512	153,619
Non-current liability			
Bank borrowings – due after one year	30	**40,350**	40,000
Current liabilities			
Accounts payable	26	**66,974**	52,372
Accruals and other payables		**51,362**	38,876
Bills payable		**97,278**	61,833
Amount due to ultimate holding company		**1,461**	187
Amounts due to associates		**270**	20
Amounts due to jointly controlled entities		**43**	77
Bank borrowings – due within one year	30	**68,087**	79,203
Tax payable		**2,777**	2,028
		288,252	234,596
Total equity and liabilities		**543,114**	428,215

The financial statements on pages 33 to 78 were approved and authorised for issue by the Board of Directors on 22nd March, 2005 and are signed on its behalf by :

Teo Siong Seng
Director

Teo Tiou Seng
Director

Balance Sheet

As at 31st December, 2004

	Notes	2004 US$'000	2003 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**263**	354
Interests in subsidiaries	18	**62,347**	48,349
Interests in associates	20	**8,757**	8,543
Interests in jointly controlled entities	21	**20,839**	15,839
Investment in securities	22	**611**	611
		92,817	73,696
Current assets			
Prepayments and other receivables		**1,760**	4,031
Amounts due from subsidiaries	19	**97,812**	54,761
Amounts due from associates		**1,783**	706
Amounts due from jointly controlled entities		**3,736**	2,751
Bank balances and cash		**17,223**	22,383
		122,314	84,632
Total assets		**215,131**	158,328
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	28	**7,844**	6,706
Share premium	29	**98,011**	55,735
Accumulated profits	29	**9,593**	10,740
		115,448	73,181
Non-current liability			
Bank borrowings – due after one year	30	**38,900**	40,000
Current liabilities			
Accruals and other payables		**17,519**	23,767
Bills payable		**6,858**	5,026
Amounts due to subsidiaries	19	**19,556**	16,147
Amount due to ultimate holding company		**1,461**	187
Amounts due to associates		**270**	20
Bank borrowings – due within one year	30	**15,119**	–
		60,783	45,147
Total equity and liabilities		**215,131**	158,328

Teo Siong Seng
Director

Teo Tiou Seng
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2004

	Note	**2004 US$'000**	2003 US$'000
Total equity at 1st January		**104,378**	71,445
Currency translation differences and net gains not recognised in the income statement	*29*	**9**	41
Exercise of share options	*29*	**–**	742
Issue of ordinary shares on placing, net of share issue expenses	*29*	**43,414**	16,030
Issue of ordinary shares on increase in interest of a subsidiary, net of share issue expenses	*29*	**–**	1,293
Net profit for the year	*29*	**39,636**	20,370
Dividend paid	*29*	**(6,700)**	(5,543)
Total equity at 31st December		**180,737**	104,378

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	2004 US$'000	2003 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	51,688	32,105
Adjustments for:		
Depreciation	7,308	6,981
Loss on disposal of property, plant and equipment	148	457
Gain on disposal of a subsidiary	(168)	–
Share of results of associates	(1,285)	(1,088)
Share of results of jointly controlled entities	(21,837)	(5,100)
Amortisation of patents	206	253
Amortisation of goodwill	240	80
Amortisation of other assets	483	359
Interest element of finance leases	–	1
Interest income	(1,221)	(299)
Interest expenses	4,372	3,582
Operating cash flows before movements in working capital	39,934	37,331
Increase in inventories	(99,621)	(6,022)
Decrease in accounts receivable	28,558	30,828
Decrease (increase) in prepayments and other receivables	15,852	(65,916)
Decrease in amount due from ultimate holding company	–	100
Decrease (increase) in amounts due from fellow subsidiaries	82	(70)
(Increase) decrease in amounts due from associates	(184)	583
Increase in amounts due from jointly controlled entities	(5,738)	(7,723)
Decrease (increase) in amounts due from related companies	750	(573)
Increase (decrease) in accounts payable	16,551	(1,766)
Increase (decrease) in accruals and other payables	12,767	(1,490)
Increase (decrease) in bills payable	35,445	(4,428)
Increase (decrease) in amount due to ultimate holding company	1,274	(1,331)
Increase in amounts due to associates	250	20
Decrease in amounts due to jointly controlled entities	(34)	(158)
Cash generated from (used in) operations	45,886	(20,615)
Interest paid	(4,372)	(3,583)
Taxation paid	(2,092)	(1,943)
Taxation refunded	–	1,470
Net cash from (used in) operating activities	39,422	(24,671)

	Notes	**2004 US$'000**	2003 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(15,971)**	(14,202)
(Increase) decrease in pledged deposit		**(6,790)**	1,042
Additions to other assets		**(510)**	(354)
Increase in investment in associates		**(213)**	(120)
Increase in investment in jointly controlled entities		**(5,000)**	(10,663)
Proceeds on disposal of property, plant and equipment		**78**	630
Increase in interest of a subsidiary		**(8,770)**	(3)
Disposal of a subsidiary	36	**(1,413)**	–
Acquisition of subsidiaries	37	**–**	32,687
Dividends received from associates and jointly controlled entities		**1,975**	1,092
Interest received		**1,221**	299
Net cash (used in) from investing activities		**(35,393)**	10,408
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**140,238**	160,489
Repayment of bank loans		**(150,158)**	(130,384)
Capital repayment of finance leases		**–**	(6)
Dividends paid to minority shareholders		**(12,625)**	(4,139)
Dividends paid		**(6,700)**	(5,543)
Proceeds from issue of shares, net of expenses		**43,414**	16,768
Net cash from financing activities		**14,169**	37,185
NET INCREASE IN CASH AND CASH EQUIVALENTS		**18,198**	22,922
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**44,485**	21,567
Effect of foreign exchange rate changes		**(7)**	(4)
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		**62,676**	44,485
BALANCE OF CASH AND CASH EQUIVALENTS REPRESENTED BY:			
Bank balances and cash		**62,676**	44,485

Notes to the Financial Statements

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 POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs and it is in the process of determining whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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 either at the containers being delivered to customers or acceptance notes being issued by customers in accordance with the terms of the underlying sales contracts.

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

Interest income is recognised on a time basis by reference to the principal outstanding and at the interest rate applicable.

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (Continued)

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Taxation (Continued)

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Retirement benefit costs (Continued)

With effect 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 Indonesian Labour Law No.13/2003.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent. of the greater of the present value of a subsidiary in Indonesia's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(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:

	2004 **US$'000**	2003 US$'000
Container manufacturing	**498,228**	415,572
Container depot/terminal	**14,945**	18,090
Mid-stream	**19,620**	17,050
	532,793	450,712

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.

2004

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
TURNOVER					
External sales	498,228	14,945	19,620	–	532,793
Inter-segment sales	–	5,026	342	(5,368)	–
Total	498,228	19,971	19,962	(5,368)	532,793

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	24,204	5,190	3,144		32,538
Finance costs					(5,193)
Investment income					1,221
Share of results of associates	(17)	1,302	–		1,285
Share of results of jointly controlled entities	20,718	1,119	–		21,837
Profit before taxation					51,688
Taxation	(3,249)	(799)	(297)		(4,345)
Profit after taxation					47,343

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
OTHER INFORMATION				
Capital expenditure	**12,973**	**2,991**	**7**	**15,971**
Depreciation and amortisation	**5,855**	**2,354**	**28**	**8,237**
BALANCE SHEET				
ASSETS				
Segment assets	**428,076**	**50,461**	**3,543**	**482,080**
Interests in associates	**223**	**3,840**	**–**	**4,063**
Interests in jointly controlled entities	**44,940**	**10,576**	**–**	**55,516**
Unallocated assets				**1,455**
Consolidated total assets				**543,114**
LIABILITIES				
Segment liabilities	**207,876**	**7,025**	**2,487**	**217,388**
Unallocated liabilities				**111,214**
Consolidated total liabilities				**328,602**

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.

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
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)

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
OTHER INFORMATION				
Capital expenditure	6,933	7,265	4	14,202
Depreciation and amortisation	5,664	1,982	27	7,673
BALANCE SHEET				
ASSETS				
Segment assets	334,035	55,583	3,504	393,122
Interests in associates	120	2,658	–	2,778
Interests in jointly controlled entities	20,167	10,471	–	30,638
Unallocated assets				1,677
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

The Group's total assets less current liabilities and the Group's net current assets as at 31st December, 2004 amounted to US$254,862,000 (2003: US$193,619,000) and US$99,903,000 (2003: US$70,252,000) respectively.

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	
	2004 US$'000	2003 US$'000
Europe	**155,210**	117,049
Hong Kong	**135,819**	110,709
United States	**87,779**	101,404
PRC (other than Hong Kong and Taiwan)	**38,530**	33,345
Taiwan	**33,386**	30,991
Singapore	**24,195**	28,059
Others	**57,874**	29,155
	532,793	450,712

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	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
PRC (other than Hong Kong and Taiwan)	**420,026**	336,456	**15,857**	13,859
Hong Kong	**47,069**	45,233	**31**	263
Others	**14,985**	11,433	**83**	80
	482,080	393,122	**15,971**	14,202

6 PROFIT FROM OPERATIONS

	2004	2003
	US$'000	US$'000
Profit from operations has been arrived at after charging (crediting) the following:		
Auditors' remuneration	**329**	291
Staff costs, including directors' emoluments		
– Salaries and other benefits	**22,863**	24,565
– Retirement benefit costs *(note 10)*	**1,951**	1,746
	24,814	26,311
Depreciation and amortisation		
Depreciation		
– Owned property, plant and equipment	**7,308**	6,981
Amortisation		
– Patents	**206**	253
– Goodwill	**240**	80
– Other assets	**483**	359
	8,237	7,673
Operating lease charges		
– Land and buildings	**1,807**	3,136
– Plant and machinery	**114**	202
	1,921	3,338
Gain on disposal of a subsidiary	**(168)**	–
Loss on disposal of property, plant and equipment	**148**	457
Net exchange loss	**29**	186

7 FINANCE COSTS

	2004 US$'000	2003 US$'000
Interest on		
– Bank loans and overdrafts wholly repayable within five years	**4,372**	3,582
– Finance leases	**–**	1
Bank charges and commissions	**821**	522
	5,193	4,105

8 INVESTMENT INCOME

	2004 US$'000	2003 US$'000
Interest earned on bank deposits	**1,221**	299

9 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2003: 8) directors were as follows:

	Chang Yun Chung US$'000	Teo Siong Seng US$'000	Hsueh Chao En US$'000	Jin Xu Chu US$'000	Teo Tiou Seng US$'000	Kuan Kim Kin US$'000	Ngan Man Kit, Alexander US$'000	Ong Ka Thai US$'000	Soh Kim Soon US$'000	Total 2004 US$'000
Fees	32	26	23	23	23	26	23	26	26	228
Other emoluments										
Salaries and other benefits	–	261	189	–	22	–	–	–	–	472
Contributions to retirement benefits scheme	–	13	–	–	1	–	–	–	–	14
Performance related incentive payments *(Note)*	–	990	15	97	4	–	–	–	–	1,106
	32	1,290	227	120	50	26	23	26	26	1,820

	Chang Yun Chung US$'000	Teo Siong Seng US$'000	Hsueh Chao En US$'000	Teo Tiou Seng US$'000	Kuan Kim Kin US$'000	Ngan Man Kit, Alexander US$'000	Ong Ka Thai US$'000	Soh Kim Soon US$'000	Total 2003 US$'000
Fees	32	26	22	23	26	23	26	26	204
Other emoluments									
Salaries and other benefits	–	250	220	22	–	–	–	–	492
Contributions to retirement benefits scheme	–	12	–	1	–	–	–	–	13
Performance related incentive payments *(Note)*	–	509	–	–	–	–	–	–	509
	32	797	242	46	26	23	26	26	1,218

Note: The performance related incentive payments are determined as a percentage of the net profit of the Group for the two years ended 31st December, 2004 and 2003. Mr. Jin was appointed as our Company's Executive Director on 31st December, 2004 and his performance bonus was paid in December 2004.

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

The above analysis includes 3 (2003: 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:–

	2004	2003
	US$'000	US$'000
Salaries and other benefits	**268**	333
Retirement benefit costs	**13**	15
	281	348

Their emoluments were within the following bands:

		2004	2003
		Number of individuals	Number of individuals
Nil – US$128,396	(Nil – HK$1,000,000)	**–**	1
US$128,397 – US$192,594	(HK$1,000,001 – HK$1,500,000)	**2**	2

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 MPF scheme 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 Indonesian 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$1,951,000 (2003: US$1,746,000). At the balance sheet date, contributions payable to the retirement schemes totaling US$613,000 (2003: US$270,000) and retirement benefit provision made for the local employees in Indonesia totalling US$908,000 (2003: US$352,000) are included in accruals and other payables.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of US$10,000 (2003: US$7,000) 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. (2003: 17.5 per cent.) on the estimated assessable profit for the year.

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

	2004	2003
	US$'000	US$'000
Current tax:		
Hong Kong profits tax		
– Current year	**318**	309
Overseas taxation		
– Current year	**2,849**	2,121
– Prior year overprovision	**(74)**	(162)
	3,093	2,268
Deferred tax:		
Current year charge (credit)	**23**	(232)
Taxation attributable to the Company and its subsidiaries	**3,116**	2,036
Share of taxation attributable to associates	**220**	159
Prior year overprovision attributable to an associate	**–**	(588)
Share of taxation attributable to jointly controlled entities	**1,009**	267
	4,345	1,874

11 TAXATION (CONTINUED)

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

	2004		2003	
	US$'000	**%**	US$'000	%
Profit before taxation	**51,688**		32,105	
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	**9,045**	**17.5**	5,618	17.50
Tax effect of expenses that are not deductible in determining taxable profit	**978**	**1.89**	685	2.14
Tax effect of income that is not taxable in determining taxable profit	**(951)**	**(1.84)**	(879)	(2.74)
Tax effect on tax losses arising in the current year not recognised	**599**	**1.16**	527	1.64
Tax effect of utilisation of tax losses not previously recognised	**(1,090)**	**(2.11)**	(573)	(1.78)
Tax effect of other deductible temporary difference not previously recognised	**–**	**–**	(482)	(1.50)
Overprovision in prior years	**(74)**	**(0.14)**	(750)	(2.34)
Tax effect on reduction of tax rate as a temporary relief	**(2,403)**	**(4.65)**	(1,177)	(3.67)
Effect of different tax rates of subsidiaries, associates and jointly controlled entities operating in other jurisdictions	**(1,763)**	**(3.41)**	(1,118)	(3.48)
Others	**4**	**0.01**	23	0.07
	4,345	**8.41**	1,874	5.84

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$5,553,000 (2003: US$2,396,000).

13 DIVIDEND

	2004 US$'000	2003 US$'000
Interim paid:		
HK4 cents (2003: HK3 cents) per ordinary share	**2,679**	2,035
Final proposed:		
HK12 cents (2003: HK6 cents) per ordinary share	**9,431**	4,037
	12,110	6,072

The final dividend of HK12 cents (2003: HK6 cents) per share, totalling US$9,431,000 (2003: US$4,037,000), 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

	2004 US$'000	2003 US$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	**39,636**	20,370
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**537,947,552**	500,830,056
Effect of dilutive share options	**N/A**	100,730
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**N/A**	500,930,786

The share option scheme of the Company expired on 16th June, 2003 without any outstanding share options. The Company has not adopted any new share option scheme since then.

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, 2004	5,374	57,400	50,421	4,899	5,490	123,584
Additions	6,779	6,454	2,067	148	523	15,971
Disposals	–	(23)	(409)	(375)	(1,487)	(2,294)
Eliminated on disposal of a subsidiary	(5)	(2,843)	(2,157)	(186)	(147)	(5,338)
Transfer from assets under construction	(8,139)	6,906	893	39	301	–
Translation differences	–	(2)	(1)	(1)	(1)	(5)
At 31st December, 2004	4,009	67,892	50,814	4,524	4,679	131,918
Accumulated depreciation						
At 1st January, 2004	–	9,389	21,590	3,582	3,138	37,699
Charge for the year	–	2,034	4,328	341	605	7,308
Eliminated on disposals	–	(23)	(366)	(339)	(1,340)	(2,068)
Eliminated on disposal of a subsidiary	–	(579)	(991)	(118)	(106)	(1,794)
Translation differences	–	(2)	(2)	(1)	–	(5)
At 31st December, 2004	–	10,819	24,559	3,465	2,297	41,140
Net book value						
At 31st December, 2004	4,009	57,073	26,255	1,059	2,382	90,778
At 31st December, 2003	5,374	48,011	28,831	1,317	2,352	85,885

Plant and machinery with an aggregate net book value of US$720,000 as at 31st December, 2004 (2003: US$869,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2004 was US$3,262,000 (2003: US$1,389,000).

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Group	Land use rights US$'000	Other land and buildings US$'000	Site improvements US$'000	Total US$'000
At 31st December, 2004				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	18	18
On medium term lease (10 to 50 years)	–	72	–	72
Held outside Hong Kong				
On medium term lease (20 to 50 years)	21,722	5,270	29,991	56,983
	21,722	5,342	30,009	57,073
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

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings held outside Hong Kong with an aggregate net book value of US$5,706,000 as at 31st December, 2004 (2003: US$6,812,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2004 was US$2,000,000 (2003: US$2,363,000).

Company	**Furniture, fittings and office equipment**	**Motor vehicles**	**Total**
	US$'000	US$'000	US$'000
Cost			
At 1st January, 2004	1,022	246	1,268
Additions	23	–	23
Eliminated on disposals	(4)	–	(4)
At 31st December, 2004	1,041	246	1,287
Accumulated depreciation			
At 1st January, 2004	835	79	914
Charge for the year	70	44	114
Eliminated on disposals	(4)	–	(4)
At 31st December, 2004	901	123	1,024
Net book value			
At 31st December, 2004	140	123	263
At 31st December, 2003	187	167	354

16 PATENTS

Group

	US$'000
Cost	
At 1st January, 2004 and 31st December, 2004	3,031
Amortisation	
At 1st January, 2004	1,805
Charge for the year	206
At 31st December, 2004	2,011
Net book value	
At 31st December, 2004	1,020
At 31st December, 2003	1,226

17 GOODWILL

Group

	US$'000
Cost	
Arising on acquisition of additional equity interest of a subsidiary and balance as at 1st January, 2004 and 31st December, 2004	1,200
Amortisation	
At 1st January, 2004	80
Charge for the year	240
At 31st December, 2004	320
Net book value	
At 31st December, 2004	880
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	
	2004	2003
	US$'000	US$'000
Unlisted shares and investments, at cost	**62,347**	48,349

Particulars of principal subsidiaries as at 31st December, 2004 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.#	PRC	59%	US$20,000,000	Provision of container terminal services
Guangdong Shun An Da Pacific Container Co., Ltd.*Δ	PRC	100%	US$18,000,000	Manufacturing of dry freight 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 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
Guangdong Shun An Da Pacific Container Co., Ltd.*	British Virgin Islands	100%	US$1,000	Marketing dry freight containers in the PRC
Singamas Container Holdings Ltd.*	Bahamas	100%	US$7,200,000	Investment holding and marketing of dry freight containers in Indonesia

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
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
		100%	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
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
Yixing Singamas Metal Products Co., Ltd.*#	PRC	95%	US$200,000	Manufacturing of container parts

* *Subsidiaries held directly by the Company*

\# *Equity joint venture established in the PRC in accordance with relevant laws and regulations*

Δ *Wholly owned foreign enterprise established in the PRC in accordance with relevant laws and regulations*

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

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

Company

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$58,484,000 (2003: US$20,964,000) 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	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments, at cost	**–**	–	**8,757**	8,543
Share of net assets	**4,063**	2,778	**–**	–
	4,063	2,778	**8,757**	8,543

Particulars of associates as at 31st December, 2004 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.*	Incorporated	Thailand	25%	25%	Provision of container storage and repair services

20 INTERESTS IN ASSOCIATES (CONTINUED)

Name	Form of business structure	Place of incorporation/ registration and operation	Group equity interest	Proportion of voting power held	Principal activities
Xiamen Xiangyu Singamas Container Co., Ltd.#	Incorporated	PRC	28%	28.6%	Provision of container storage, repair and trucking services, and serving as a freight station
Yixing Goldrich Welding Metal Co., Ltd.*#	Incorporated	PRC	30%	33.3%	Manufacturing of welding parts

* *Held directly by the Company*

\# *Equity joint venture established in the PRC in accordance with relevant laws and regulations*

During the year, the Group disposed of 23% out of 51% interest in Xiamen Xiangyu Singamas Container Co., Ltd. to Xiamen Superchain Logistics Development Co., Ltd., ("Xiamen Superchain") in exchange of 6,990,000 new ordinary shares in Xiamen Superchain under a share transfer agreement dated 26th March, 2004.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments, at cost	**–**	–	**20,839**	15,839
Share of net assets	**59,823**	36,272	**–**	–
Premium on acquisition	**1,457**	2,052	**–**	–
Discount on acquisition	**(5,764)**	(7,686)	**–**	–
	55,516	30,638	**20,839**	15,839

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Premium (discount) arising on acquisition of jointly controlled entities:

	Group	
	Premium	**Discount**
	US$'000	US$'000
Cost		
At 1st January, 2004 and 31st December, 2004	2,972	(9,590)
Amortisation		
At 1st January, 2004	920	(1,904)
Charge (credit) for the year	595	(1,922)
At 31st December, 2004	1,515	(3,826)
Net book value		
At 31st December, 2004	1,457	(5,764)
At 31st December, 2003	2,052	(7,686)

During the year, amortisation of premium on acquisition of a jointly controlled entity amounted to US$595,000 (2003: US$594,000) was charged to the share of results of jointly controlled entities in 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$1,922,000 (2003: US$1,904,000) was released to the share of results of jointly controlled entities in the income statement.

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Particulars of jointly controlled entities which are established in the PRC, as at 31st December, 2004 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.#	40%	40%	Provision of container storage and repair services
Qingdao Pacific Container Co., Ltd.*#	55%	60%	Manufacturing of dry freight containers
Shanghai Baoshan Pacific Container Co., Ltd.#	74%	66.7%	Manufacturing of dry freight 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 containers

* *Held directly by the Company*

\# *Equity joint venture established in the PRC in accordance with relevant laws and regulations*

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The following details have been extracted from the financial information of the Group's significant jointly controlled entities:

Operating Results

	Qingdao Pacific Container Co., Ltd		Shanghai Baoshan Pacific Container Co., Ltd		Tianjin Pacific Container Co., Ltd	
	2004	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Turnover	**141,051**	4,514	**137,883**	77,427	**80,123**	54,903
Profit (loss) from operation before taxation	**12,193**	(251)	**4,543**	1,611	**5,789**	1,152
Profit (loss) from operation before taxation attributable to the Group	**6,706**	(138)	**3,362**	1,192	**5,210**	1,037

Financial Position

	Qingdao Pacific Container Co., Ltd		Shanghai Baoshan Pacific Container Co., Ltd		Tianjin Pacific Container Co., Ltd	
	2004	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Non-current assets	**13,337**	12,761	**12,995**	11,636	**5,020**	3,788
Current assets	**89,515**	9,151	**89,755**	54,354	**54,065**	35,291
Current Liabilities	**(78,911)**	(10,163)	**(85,960)**	(53,743)	**(48,660)**	(38,964)
Non-current liabilities	**–**	–	**–**	–	**(338)**	(338)
Net assets (liabilities)	**23,941**	11,749	**16,790**	12,247	**10,087**	(223)
Net assets (liabilities) attributable to the Group	**13,168**	6,462	**12,425**	9,063	**9,078**	(201)

22 INVESTMENT IN SECURITIES

Investment securities

	Group		Company	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Unlisted equity securities	**1,614**	611	**611**	611

23 OTHER ASSETS

	Group	
	2004	2003
	US$'000	US$'000
At 1st January	**877**	654
Acquired on acquisition of subsidiaries	**–**	228
Amount capitalised	**510**	354
Eliminated on disposal of a subsidary	**(25)**	–
Amount amortised	**(483)**	(359)
At 31st December	**879**	877

24 INVENTORIES

	Group	
	2004	2003
	US$'000	US$'000
Raw materials	**62,646**	39,775
Work in progress	**37,318**	8,128
Finished goods	**81,170**	33,676
	181,134	81,579

The cost of sales recognised during the year was US$466,230,000 (2003: US$401,374,000).

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, 2004 is as follows:

	Group	
	2004	2003
	US$'000	US$'000
0 to 30 days	**22,172**	42,207
31 to 60 days	**14,006**	16,130
61 to 90 days	**10,147**	11,099
91 to 120 days	**2,305**	7,192
Over 120 days	**5,650**	7,437
	54,280	84,065

26 ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	Group	
	2004	2003
	US$'000	US$'000
0 to 30 days	**37,730**	27,073
31 to 60 days	**13,635**	10,275
61 to 90 days	**6,470**	7,839
91 to 120 days	**4,163**	2,465
Over 120 days	**4,976**	4,720
	66,974	52,372

27 AMOUNTS DUE FROM RELATED COMPANIES

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

	Group		
Name	**Balance as at 31.12.2004 US$'000**	Balance as at 31.12.2003 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (H.K.) Limited	**290**	1,040	2,184
Xiamen Superchain Logistics Development Co. Ltd.	**–**	133	133
Xiamen Xiangyu PIL Total Logistics Co., Ltd.	**–**	38	38
	290	1,211	2,355

The aging analysis of amounts due from related companies is as follows:

	2004 US$'000	2003 US$'000
0 to 30 days	**290**	967
31 to 60 days	**–**	168
61 to 90 days	**–**	69
Over 90 days	**–**	7
	290	1,211

Amounts due from related companies of the Group represent trade receivable balances from Pacific International Lines (H.K.) 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. ("Xiamen Superchain"), an investment of the Company in which the Group holds 14.02 per cent.; and Xiamen Xiangyu PIL Total Logistics Co., Ltd. ("XPTL"), in which PIL has beneficial interest. The balance is subject to normal credit terms.

28 SHARE CAPITAL

	Number of shares					
	2004	2003	**2004**	**2004**	2003	2003
			US$'000	**HK$'000**	US$'000	HK$'000
Authorised:						
Ordinary shares of HK$0.10 each	**750,000,000**	750,000,000	**9,637**	**75,000**	9,637	75,000
Issued and fully paid:						
Ordinary shares of HK$0.10 each						
At 1st January	**522,417,760**	456,001,760	**6,706**	**52,242**	5,854	45,600
Shares issued for cash	**88,811,000**	60,000,000	**1,138**	**8,881**	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	**611,228,760**	522,417,760	**7,844**	**61,123**	6,706	52,242

On 29th October, 2004, 88,811,000 ordinary shares were issued at HK$3.93 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 are largely intended to use for (a) the relocation and expansion of a dry freight and specialised container factory in Tianjin; and (b) financing the land and related construction costs for the establishment of a new dry freight container factory in Eastern Guangdong Province.

29 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, 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	15,770	–	–	–	–	15,770
Issue of ordinary shares on increase in interest of a subsidiary	1,259	–	–	–	–	1,259
Share issue expenses	(514)	–	–	–	–	(514)
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 1st January, 2004						
– 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
Issue of ordinary shares on placing	43,612	–	–	–	–	43,612
Share issue expenses	(1,336)	–	–	–	–	(1,336)
Exchange translation differences						
– The Company and subsidiaries	–	(4)	–	–	–	(4)
– Associates	–	13	–	–	–	13
– Jointly controlled entities	–	–	–	–	–	–
Net profit for the year	–	–	–	–	39,636	39,636
Dividend paid	–	–	–	–	(6,700)	(6,700)
Transfer from accumulated profits	–	–	2,514	305	(2,819)	–
At 31st December, 2004	98,011	360	5,023	1,754	67,745	172,893
Attributable to:						
– The Company and subsidiaries	98,011	243	4,322	1,555	43,895	148,026
– Associates	–	116	481	20	1,559	2,176
– Jointly controlled entities	–	1	220	179	22,291	22,691
	98,011	360	5,023	1,754	67,745	172,893

29 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, 2004, goodwill totalling of US$9,903,000 (2003: 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, 2003	38,522	13,887	52,409
Exercise of share options	698	–	698
Issue of ordinary shares on placing	15,770	–	15,770
Issue of ordinary shares on increase in interest of a subsidiary	1,259	–	1,259
Share issue expenses	(514)	–	(514)
Net profit for the year	–	2,396	2,396
Dividend paid	–	(5,543)	(5,543)
At 1st January, 2004	55,735	10,740	66,475
Issue of ordinary shares on placing	43,612	–	43,612
Share issue expenses	(1,336)	–	(1,336)
Net profit for the year	–	5,553	5,553
Dividend paid	–	(6,700)	(6,700)
At 31st December, 2004	98,011	9,593	107,604

Distributable reserves of the Company at 31st December, 2004, calculated under section 79B of the Companies Ordinance, amounted to US$9,593,000 (2003: US$10,740,000).

30 BANK BORROWINGS

	Group 2004 US$'000	Group 2003 US$'000	Company 2004 US$'000	Company 2003 US$'000
Bank borrowings comprise the following:				
Bank loans				
Secured				
– due within 1 year	**12,052**	3,752	**–**	–
– due more than 1 year, but not exceeding 2 years	**–**	–	**–**	–
– due more than 2 years, but not exceeding 5 years	**–**	–	**–**	–
	12,052	3,752	**–**	–
Unsecured				
– due within 1 year	**56,035**	75,451	**15,119**	–
– due more than 1 year, but not exceeding 2 years	**9,000**	7,500	**9,000**	7,500
– due more than 2 years, but not exceeding 5 years	**31,350**	32,500	**29,900**	32,500
	96,385	115,451	**54,019**	40,000
Less: Amount shown under current liabilities	**(68,087)**	(79,203)	**(15,119)**	–
Amount due after one year	**40,350**	40,000	**38,900**	40,000

31 DEFERRED TAX ASSETS

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 1st January, 2004	82	47	103	232
Credit (change) to income	21	(47)	3	(23)
At 31st December, 2004	103	–	106	209

31 DEFERRED TAX ASSETS (CONTINUED)

Group (Continued)

At 31st December, 2004, the Group has unused tax losses of US$14,760,000 (2003: US$11,774,000) available for offset against future profits. A deferred tax asset has been recognised in respect of nil (2003: US$266,000) of such losses. No deferred tax asset has been recognised in respect of the remaining US$14,760,000 (2003: US$11,508,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses of US$711,000 and US$249,000 (2003: US$833,000 in 2007) that will expire in 2007 and 2009 respectively. Other losses may be carried forward indefinitely.

Company

No deferred tax asset has been recognised in respect of the unused tax losses of US$13,440,000 (2003: US$10,628,000) as it is not certain that the tax losses will be utilised in the foreseeable future.

32 PLEDGED DEPOSIT

Group

Deposit pledged as security for loan facilities granted by banks to a subsidiary in the PRC.

33 CONTINGENT LIABILITIES

	Group		**Company**	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Guarantees for lease and bank facilities utilised by subsidiaries	**–**	–	**28,538**	38,373
Guarantees for bank facilities utilised by jointly controlled entities	**50,811**	20,132	**50,811**	20,132
	50,811	20,132	**79,349**	58,505

34 CAPITAL COMMITMENTS

	Group	
	2004	2003
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**333**	438
Capital expenditure in respect of business acquisition contracted but not provided for *(Note)*	**846**	1,920
	1,179	2,358

Note: On 21st December, 2004, Singamas Terminals (China) Limited ("STCL"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Tianjin Municipality Tanggu District Wu Jia Yuan Container Warehousing and Transportation Corporation ("TMJY") under which STCL agreed to purchase from TMJY a 40 per cent. equity interest in Tianjin Singamas Container Co., Ltd., ("TSCL") at a consideration of RMB6,998,236 (equivalent to US$846,000) in cash which has been funded by internal resources of the Group. In view that TMJY was a substantial shareholder of TSCL holding 40 per cent. equity interest in TSCL, TMJY was a connected person and the entering into this agreement constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Details of this connected transaction have been disclosed by way of a press notice in compliance with the Listing Rules. Upon completion of this acquisition, TSCL will become a wholly-owned subsidiary of the Group.

35 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	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– in the 1st year	**1,101**	2,058	**143**	287
– in the 2nd to 5th year inclusive	**1,457**	3,005	**–**	143
– beyond 5th year	**544**	4,143	**–**	–
	3,102	9,206	**143**	430

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.

36 DISPOSAL OF A SUBSIDIARY

As referred to note 20, the Group disposed of its subsidiary, Xiamen Xiangyu Singamas Container Co., Ltd. ("XXSC") on 26th March, 2004. The net assets disposed of were as follows:

	US$'000
Property, plant and equipment	3,544
Accounts receivable	1,615
Prepayments and other receivables	95
Inventories	66
Cash and bank balances	1,413
Other assets	25
Bank loans	(846)
Accounts payable	(1,949)
Accruals and other payables	(281)
Tax payable	(53)
Minority interests	(1,778)
	1,851
Gain on disposal	168
Reclassification to share of net assets of an associate	(1,016)
Total consideration	1,003
Satisfied by:	
Investment in securities	1,003
Net cash outflow in respect of disposal of a subsidiary:	
Cash and bank balances disposed of	1,413

The subsidiary disposed of during the year did not make any significant contribution to the Group's turnover and profit from operations for the year. For the year 2003, XXSC contributed US$5,748,000 to the Group's turnover and US$1,874,000 to the Group's profit from operations.

37 ACQUISITION OF SUBSIDIARIES

In 2003, the Group has acquired an additional 20 per cent. equity stake in Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da") and an additional 19 per cent. equity stake in Foshan Shunde Leliu Wharf & Container Co., Ltd., ("SLWC"). On completion of these transactions, Shun An Da and SLWC became the 60 per cent. and 59 per cent. 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

In 2003, the Company acquired 4,083,333 issued ordinary shares of Singamas Refrigerated Container Ltd. 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:

	2004 **US$'000**	2003 US$'000
Sales to ultimate holding company *(note)*	**–**	17
Sales to a fellow subsidiary *(note)*	**1,809**	1,495
Sales to related companies *(note)*	**7,181**	9,850

Note: 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 per cent. 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, an investment of the Company in which the Group holds 14.02 per cent. shareholding; and XPTL, in which PIL has beneficial interest.

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, 2004, the Company has outstanding interest rate swap with a notional amount of US$40 million (2003: US$40 million). 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.

	For the year ended 31st December,				
	2004	2003	2002	2001	2000
	%	%	%	%	%
Sales Mix (as a percentage of sales)					
Container manufacturing:					
Dry freight	**82**	82	56	51	68
Collapsible flatracks, other specialised containers and container parts	**2**	1	2	2	2
Refrigerated containers	**9**	9	20	25	13
	93	92	78	78	83
Container depot/terminal:					
Hong Kong	1	1	4	5	4
PRC (other than Hong Kong and Taiwan)	**2**	3	9	10	8
	3	4	13	15	12
Mid-stream:					
Hong Kong	**4**	4	9	7	5
Total	**100**	100	100	100	100

	TEUs	TEUs	TEUs	TEUs	TEUs
Production volume					
20-foot containers	**206,507**	146,059	102,107	57,659	57,660
40-foot containers	**122,776**	67,056	31,934	37,354	36,786
40-foot high cube containers	**286,810**	247,454	171,286	101,972	54,476
45-foot high cube containers	**2,743**	5,954	4,613	3,166	–
	618,836	466,523	309,940	200,151	148,922

Five Year Financial Summary (Continued)

	For the year ended 31st December,				
	2004	2003	2002	2001	2000
	US$'000	US$'000	US$'000	US$'000	US$'000
Turnover	**532,793**	450,712	180,637	171,962	179,720
Profit from operations	**32,538**	29,723	15,194	19,395	12,990
Finance costs	**(5,193)**	(4,105)	(1,829)	(4,192)	(4,557)
Investment income	**1,221**	299	120	752	413
Share of results of associates	**1,285**	1,088	8,023	1,044	1,433
Share of results of jointly controlled entities	**21,837**	5,100	(511)	682	–
Profit before taxation	**51,688**	32,105	20,997	17,681	10,279
Taxation	**(4,345)**	(1,874)	(2,257)	(1,798)	(1,397)
Profit after taxation	**47,343**	30,231	18,740	15,883	8,882
Minority interests	**(7,707)**	(9,861)	(4,051)	(5,570)	(2,800)
Net profit for the year	**39,636**	20,370	14,689	10,313	6,082
Earnings per share	**US7.37 cents**	US4.07 cents	US3.22 cents	US2.26 cents	US1.33 cents
Assets and Liabilities					
Total assets	**543,114**	428,215	203,022	187,276	182,797
Total liabilities	**(328,602)**	(274,596)	(112,431)	(107,343)	(116,217)
Minority interests	**(33,775)**	(49,241)	(19,146)	(22,014)	(18,765)
Shareholders' funds	**180,737**	104,378	71,445	57,919	47,815