SINGAMAS

勝 獅 貨 櫃 企 業 有 限 公 司

SINGAMAS CONTAINER HOLDINGS LIMITED

HKEx Stock Code 0716

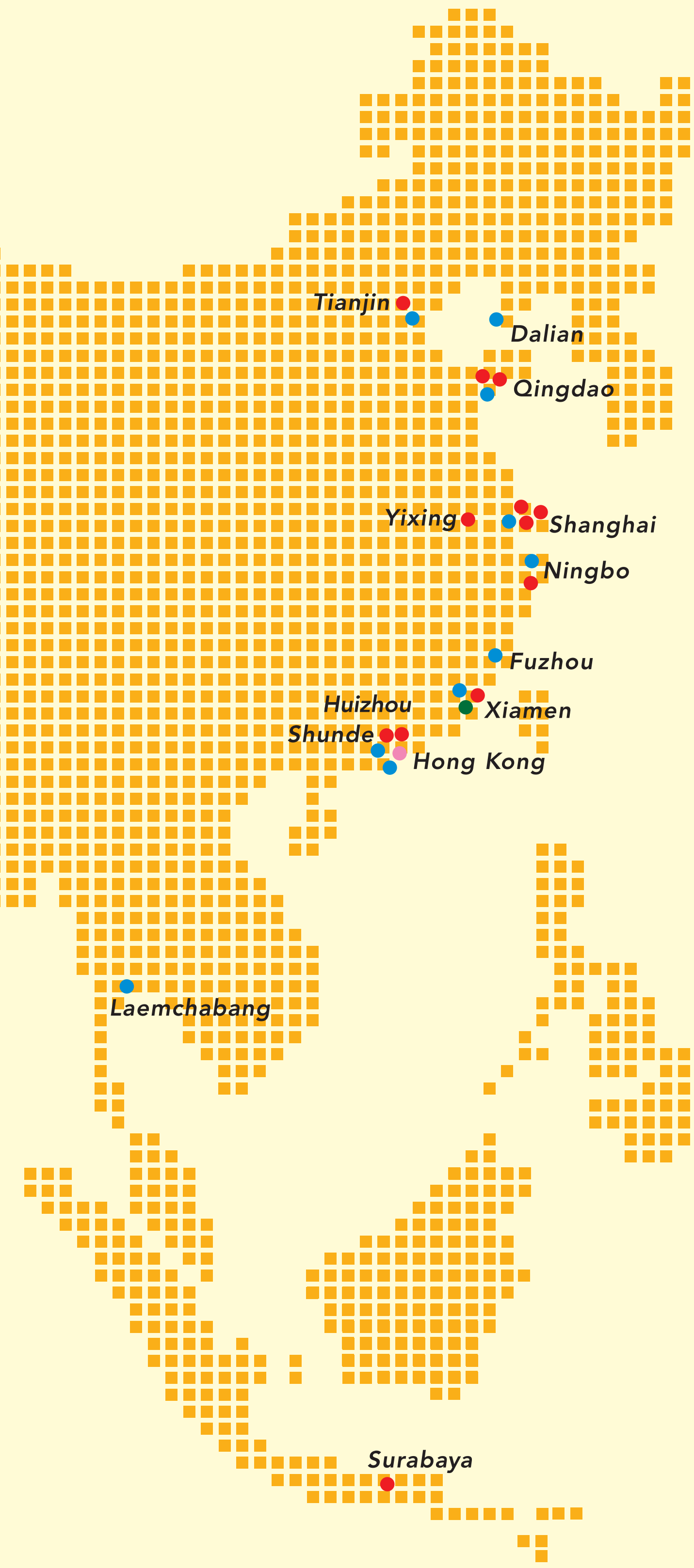
2005
Annual Report

Contents

Singamas Operations

● **Factories**	Tianjin *(Dry Freight & Specialised Containers)* Qingdao: Qingdao Pacific *(Dry Freight & U.S. Domestic Containers)* Qingdao Singamas *(Container Chassis)* Shanghai: Shanghai Pacific *(Dry Freight Containers)* Shanghai Baoshan *(Dry Freight Containers)* Shanghai Reeferco *(Refrigerated Containers)* Yixing *(Collapsible Flatrack, Other Specialised Containers & Container Parts)* Ningbo *(Dry Freight & Specialised Containers)* Huizhou *(Dry Freight Containers)* Shunde *(Dry Freight & Tank 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. 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 among 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. Two new factories, located in Hui Zhou, Guangdong Province and Ningbo, Zhejiang Province, the PRC are currently under construction and are expected to commence operations by mid-2006. We manufacture a wide range of products including dry freight containers, collapsible flatrack containers, open top containers, log carriers for railway, refrigerated containers, other specialised containers and container parts. Another company has been established in Qingdao, the PRC and is expected to commence full operations by the second quarter of 2006 for producing container chassis.

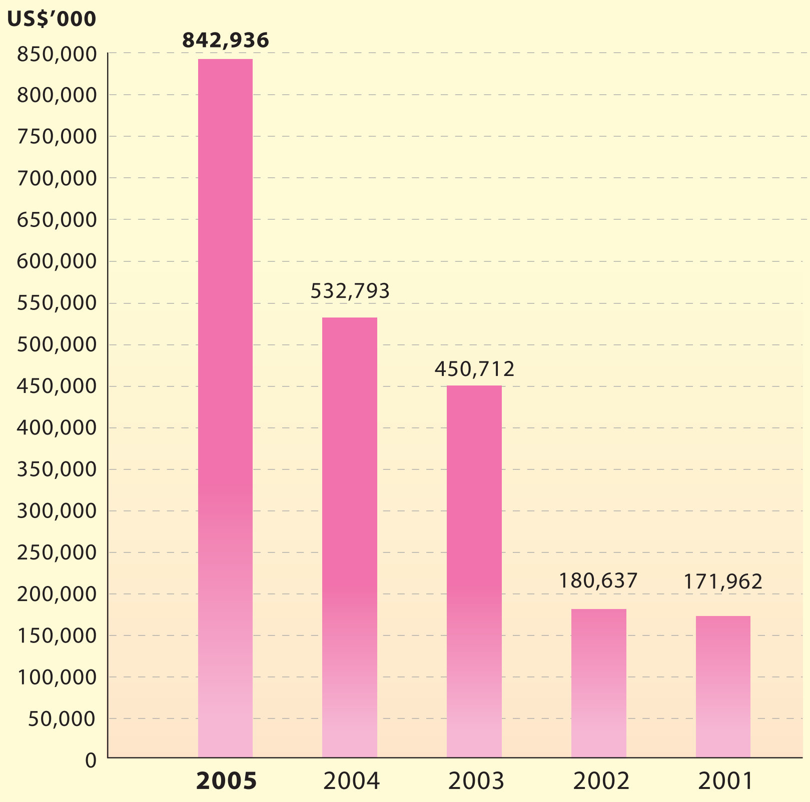
Our logistics business includes container depots/terminals, mid-stream and logistics company, running eleven container depots/terminals, eight at the major ports in the PRC – Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen and Shunde, two in Hong Kong and one in Laemchabang, Thailand. We also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

Financial Highlights

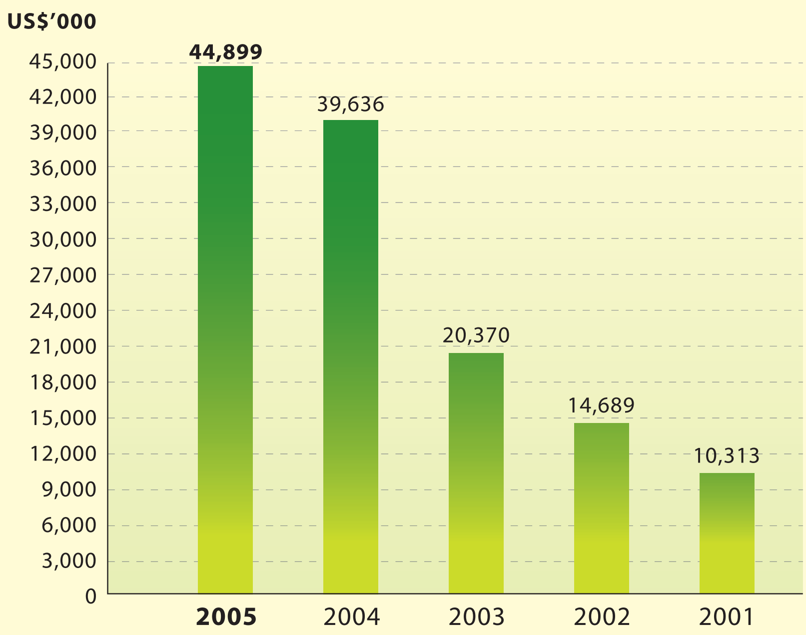
	2005 (US$)	2004 (US$)	2003 (US$)	2002 (US$)	2001 (US$)
Revenue	842,936,000	532,793,000	450,712,000	180,637,000	171,962,000
Profit from operations	57,404,000	32,538,000	29,723,000	15,194,000	19,395,000
Profit attributable to equity holders of the Company	44,899,000	39,636,000	20,370,000	14,689,000	10,313,000
Earnings per share	7.35 cents	7.37 cents	4.07 cents	3.22 cents	2.26 cents
Net asset value per share	35.29 cents	29.57 cents	19.98 cents	15.67 cents	12.70 cents
Equity attributable to equity holders of the Company	215,714,000	180,737,000	104,378,000	71,445,000	57,919,000
Bank balances and cash	102,604,000	69,466,000	44,485,000	22,609,000	22,456,000
Total borrowings *(note)*	158,402,000	108,437,000	119,203,000	58,059,000	57,045,000
Current ratio	2.16 to 1	1.35 to 1	1.30 to 1	1.28 to 1	1.20 to 1
Gearing ratio	0.73	0.60	1.14	0.81	0.98
Net debt to equity ratio	0.26	0.22	0.72	0.50	0.60
Interest coverage ratio	9.50	15.78	11.49	15.95	7.65

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

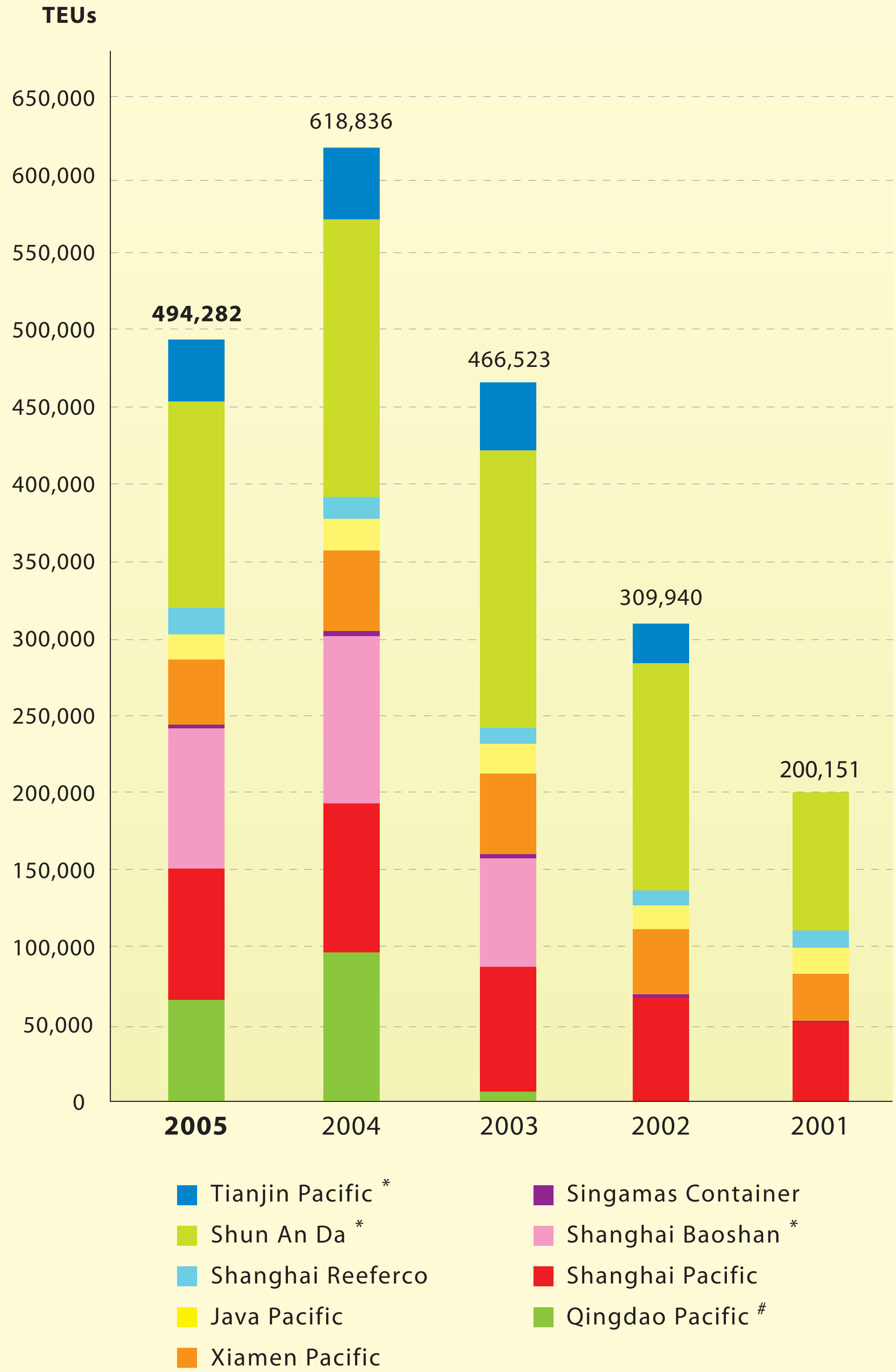
REVENUE



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



PRODUCTION OUTPUT

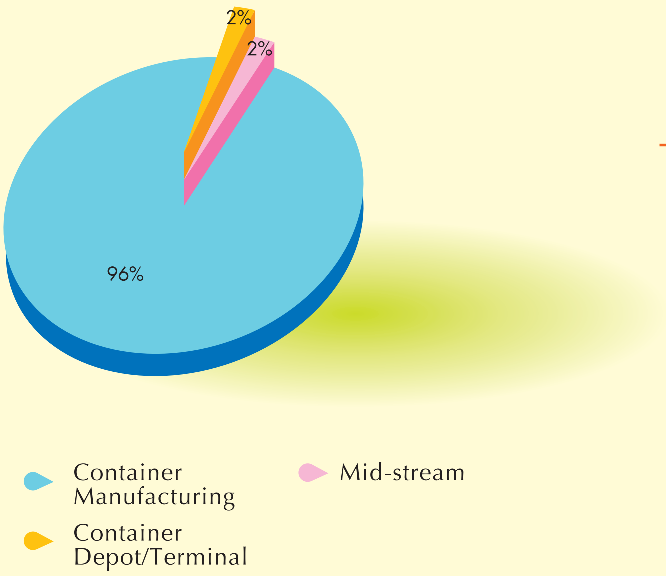


* The Company acquired Shanghai Baoshan in January 2003, Tianjin Pacific in November 2001 and Shun An Da in February 2001.

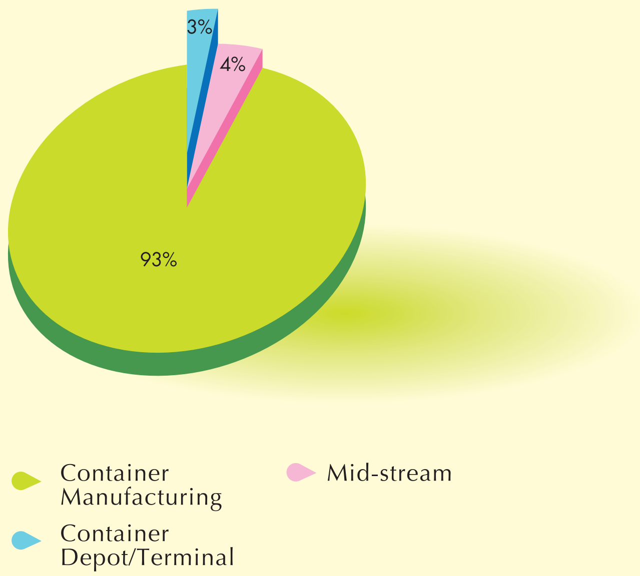
\# Construction of Qingdao Pacific was completed in October 2003 and the factory has commenced commercial operations in January 2004.

REVENUE BY BUSINESS SEGMENT

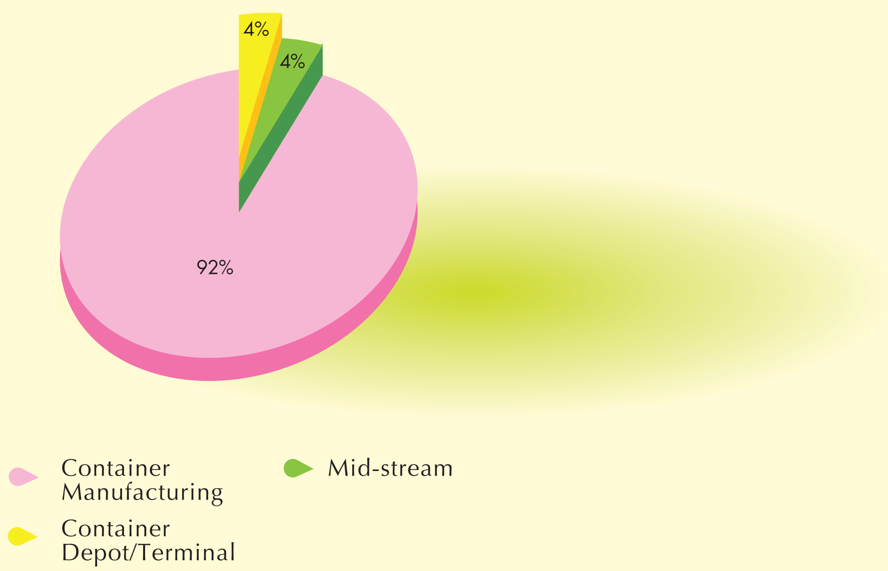
For the year ended
31st December, 2005



For the year ended
31st December, 2004

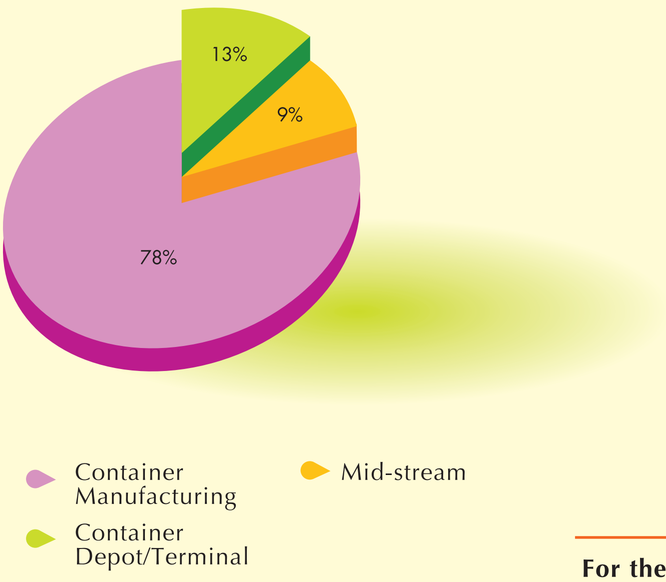


For the year ended
31st December, 2003

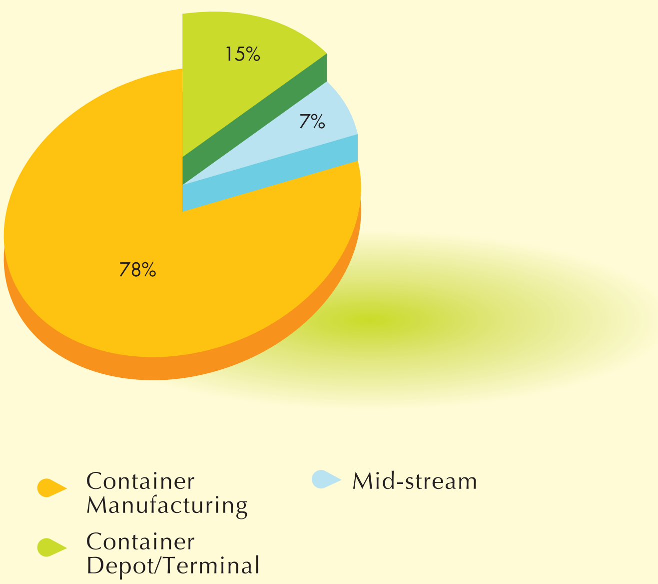


REVENUE BY BUSINESS SEGMENT (CONTINUED)

For the year ended
31st December, 2002



For the year ended
31st December, 2001



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
△ Remuneration 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

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35th Floor
Two International Finance Centre
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Central, Hong Kong

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Unit A, 29th Floor, Admiralty Centre 1
18 Harcourt Road
Hong Kong

REGISTERED OFFICE
19th 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
ABN.AMRO Bank N.A.
Agricultural Bank of China
Banco Bilbao Vizcaya Argentaria, S.A.
Bangkok Bank Public Company Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Bayerische Hypo-und Vereinsbank AG
China Construction Bank
CITIC Ka Wah Bank Limited
Coöperatieve Centrale Raiffeisen-Boerenleenbank, B.A., (also known as Rabobank International)
DBS Bank Ltd.
Hang Seng Bank Limited
HSH Nordbank AG
Industrial and Commercial Bank of China (Asia) Limited
ING Bank N.V.
Mizuho Corporate Bank, Limited
Overseas-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Bank of Nova Scotia
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

WEBSITES
http://www.singamas.com
http://www.irasia.com/listco/hk/singamas
http://quamir.quamnet.com/JSOD/jsp/e/ipo.jsp?lang=e&code=0716

Chairman's Statement

Mr. Teo Siong Seng
President &
Chief Executive Officer

Mr. Chang Yun Chung
Chairman

To Our Shareholders

On behalf of the Board of Directors ("Directors"), I have great pleasure in presenting the operating results of Singamas Container Holdings Limited ("Singamas" / the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2005.

Singamas achieved satisfactory results in 2005. The Group reported a consolidated revenue of US$842,936,000 for the year ended 31st December, 2005, 58.2 per cent. higher than last year. Consolidated net profit attributable to equity holders of the Company increased by 13.3 per cent. to US$44,899,000, which included a stock provision with bottom line effect of US$9,473,000 largely due to the sharp fall in steel prices from their peak in May 2005. Basic earnings per share was US7.35 cents, comparing to US7.37 cents last year.

DIVIDEND

The Directors proposed to pay a final dividend of HK9 cents per ordinary share for the year ended 31st December, 2005 to members whose names appear on the Register of Members of the Company on 18th May, 2006. Together with the interim dividend of HK9 cents (2004: HK4 cents per share), total dividend for the year was HK18 cents (2004: HK16 cents per share). Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be paid to shareholders on or before 31st July, 2006. The register of members of the Company will be closed from Monday, 15th May, 2006 to Thursday, 18th May, 2006, both days inclusive, during which period no transfer of shares will be effected.

BUSINESS REVIEW

2005 was a challenging year for container manufacturers. Some customers, who expected port congestion problems in North America and Europe occurred in July 2004 to return earlier in 2005 and steel and container prices to go up further in 2005, placed heavy orders at end of 2004 and in first quarter 2005. Earlier port congestions, however, did not happen as anticipated. The over-ordering of containers by customers resulted in a mismatch of container demand and supply in 2005.

At the same time, steel prices started to drop after May 2005 with average steel prices closed at approximately US$450 per ton at end of 2005, compared to the peak of US$730 per ton for May 2005 deliveries. In view of declining steel prices, customers, especially many shipping lines, expected container selling prices to drop and accordingly, they deferred orders in second half 2005. Due to the drop in steel prices, the Company made a stock provision with bottom line effect of US$9,473,000 as at 31st December, 2005.

The uploading of orders by customers in first half 2005 coupled with the holding back of orders in second half 2005 resulted in a substantial drop in production and sales volumes in second half 2005. Despite the aforesaid unfavourable factors, the Group managed to register a 13.3 per cent. growth in consolidated net profit attributable to equity holders of the Company due primarily to:

- Average container selling price was 18.6 per cent. higher than that of 2004; and
- Certain cost rationalisation programs were implemented in 2005, which had lowered the overall operating costs of the Group.

After considering the cost-effectiveness of maintaining the Company's listing status on The Singapore Exchange Securities Trading Limited ("SGX-ST") and in view of the low trading volume of the Company's shares on the SGX-ST for the past five years, Singamas sought a voluntary delisting from the SGX-ST ("Delisting"). After the shareholders of the Company had approved the Delisting at an extraordinary general meeting held on 9th December, 2005, the shares of the Company were removed from the Official List of the SGX-ST at the close of trading on 27th December, 2005 and its shares were delisted on the SGX-ST on 5th January, 2006. After the Delisting, the shares of the Company continue to be listed and traded on The Stock Exchange of Hong Kong Limited ("HKEx").

Effective from 30th November, 2005, Singamas was included as a constituent stock of the Morgan Stanley Capital International Inc. ("MSCI") Hong Kong Small Cap Index Series in MSCI's Semi-Annual Index Review. Companies with a full market capitalisation between US$200 million and US$1,500 million and having the highest liquidity in respect of their listed securities relative to their market capitalisation are eligible for inclusion.

CONTAINER MANUFACTURING

Accounting for 96 per cent. of the Group's total revenue, container manufacturing continues to be the Group's core business with this segment's revenue reaching US$809,166,000, an increase of 62.4 per cent. over 2004. The increase was attributable to the revenue contributions from Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") and Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific") as well as the higher average container selling prices attained in 2005.

Shanghai Baoshan and Tianjin Pacific, in which the Group is holding 74 and 97 per cent. effective interests respectively, were formerly jointly controlled entities of the Group. With effect from 1st January, 2005 and 1st August, 2005 respectively after the Company had successfully renegotiated certain terms of the two respective joint venture agreements, the Company now has control over the two factories' board of directors; accordingly, Shanghai Baoshan and Tianjin Pacific became subsidiaries of the Group. Since 1st January, 2005 and 1st August, 2005 respectively, the accounts of Shanghai Baoshan and Tianjin Pacific have been fully consolidated with the Group's accounts.

Profit before taxation and minority interests rose 22.1 per cent. when compared with 2004 to US$49,378,000. The increase was largely due to higher average container selling prices and cost rationalisation programs implemented in 2005 to reduce overall operating costs of the Group.

2005 was an exceptional year for the container manufacturing industry. Unlike in previous years in which container demand was normally stronger in the second half of the year than the first half, container demand was extremely strong in first half 2005. As explained above, the wrong market anticipation of some customers resulted in a mismatch of demand and supply in 2005. Orders were uploaded in the first half 2005.

Corten steel is the major material used in container manufacturing. Tight steel supply pushed up steel prices in 2004 and up to May 2005. With the PRC Government continued its economic austerity measures for the second year, progress of the country's large-scale infrastructure projects slowed down significantly, thus easing tight steel supply. Steel prices began to drop in June 2005 and customers, with an anticipation of falling container selling prices due to declining steel prices, delayed orders during second half 2005. Accordingly, production and sales volumes of the Group fell by 45.9 per cent. and 8.2 per cent. respectively in second half 2005 compared to first half. Nevertheless, with sales of the year mostly from orders received at end of 2004 and first half 2005, average selling price of the year was still 18.6 per cent. higher than that in 2004.

After a series of efficiency enhancements and upgrading of the production facilities in early 2005, the Group increased its maximum annual production capacity to 850,000 twenty-foot equivalent units ("TEUs") from 640,000 TEUs in 2004. Soft container demand in the second half 2005 caused total production output and sales volume for the year to drop to 494,282 TEUs and 560,036 TEUs, respectively from last year's 618,836 TEUs and 574,520 TEUs.

With the steel prices levelling off and gradually increasing starting after the Chinese New Year holidays in 2006, the Group expects container prices to rebound in 2006 and new container demand to return. Based on the existing market conditions and trade pattern, the Group also expects the container industry to return to its normal seasonality with low season in the first and fourth quarters and peak season in the second and third quarters of the year.

According to market statistics, the phasing in of new and bigger container vessels is expected to peak in 2006 with a 16.1 per cent. growth in container shipping capacity. To capture this rising container demand, the Group will continue its expansion plan. Listed below are the latest developments of the current expansion projects:

- The relocation and expansion of Tianjin Pacific is expected to complete by mid-2006, with maximum annual production capacity to increase from 50,000 TEUs to 120,000 TEUs.

- Hui Zhou Pacific Container Co., Ltd. ("HPCL"), a new dry freight container factory located in Eastern Guangdong Province, the PRC with estimated maximum annual production capacity of 200,000 TEUs, is scheduled to begin commercial operations by mid-2006.

- Ningbo Pacific Container Co., Ltd. ("Ningbo Pacific"), a new dry freight container factory located in Ningbo, the PRC with estimated maximum annual production capacity of 100,000 TEUs, is expected to be in full operation by mid-2006.

After completion of its expansion plans, the Group's maximum annual production capacity is expected to increase to 1.25 million TEUs by mid-2006. For 2006, the effective maximum annual production capacity would be 1 million TEUs.

LOGISTICS SERVICES

During the year, the Group's container depots / terminals handled a total of 4.7 million TEUs of containers with an average daily container storage of 122,490 TEUs. Total yard area and container storage capacity amounted to about 1million square metres and 127,600 TEUs, respectively. Revenue from this segment increased by 23.8 per cent. over that in 2004 to US$18,501,000.

Continuous export and import growth of the PRC and increasing worldwide container traffic had been the forces bracing profitability of the segment. Exports of the country reached a record US$762 billion in 2005, up 28 per cent. from the previous year. Container throughputs at major PRC ports, where the Group's container depots/terminals are located, remained strong. The Chinese ports handled a total of 75.8 million TEUs of containers in 2005, 23 per cent. higher than that of the previous year. According to PRC Government forecast, container throughput of the country will increase from 61 million TEUs in 2004 to 149 million TEUs by 2010, representing a CAGR of about 15 per cent. The Group believes that its logistics business will continue to benefit from the growth in throughput levels of the PRC.

As for the mid-stream business, to lower overall costs and enhance profitability, the Group subcontracted out a portion of its mid-stream operations to third parties during the year. Revenue from this segment hence fell 22.2 per cent. to US$15,269,000 from last year.

Nevertheless, given the continuous growth of PRC trade and increasing containerisation of the country, the Group's logistics business remained profitable. Profit before taxation and minority interests for the container depots/terminals business and mid-stream business amounted to US$7,539,000 and US$3,234,000 respectively, increased by 9.7 per cent. and 2.8 per cent. over 2004. In 2005, the Group's mid-stream operation handled 329,260 TEUs of containers compared to 361,513 TEUs in 2004.

PROSPECTS

Looking ahead, container transportation is expected to continue to grow in 2006, translating into steady demand for new containers and logistics services. According to market estimates, new container vessels with 1.327 million TEUs of container shipping capacity will be delivered to shipping companies in 2006, equivalent to 16.5 per cent. of the total capacity of container vessels in 2005.

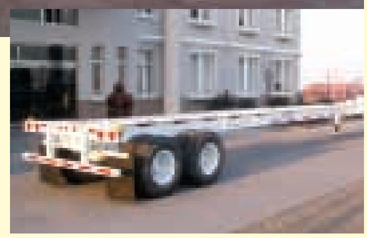
With large number of new container vessels to be delivered in the next few years, China's export trade is expected to remain strong. The replacement of old containers is expected to pick up from 2007/08 onwards when old containers at original cost of below US$1,800 per TEU are up for refurbishment. Given the relatively low container prices, replacing old containers at original cost below US$1,800 with new containers will be more cost effective than refurbishment. All these factors are giving rise to a steady demand for new containers. The business environment appears favourable for Singamas. While, in the short run, export volume may be affected slightly by the appreciation of the Renminbi, the impact is expected to be minimal as the revaluation has been modest and any further changes are expected to be introduced gradually.

Capitalising on the promising prospects of the container manufacturing industry, the Group has formed strategic alliances to strengthen its market position:

- On 15th February, 2006, Singamas entered into a memorandum of understanding ("MOU") with Mitsubishi Corporation ("Mitsubishi"), Japan's largest general trading house with operations in approximately 80 countries worldwide. Under the MOU, Mitsubishi expressed interest in business cooperation with Singamas in respect of HPCL. As Japan's largest general trading house with wide customer base over a number of different industries, the potential business cooperation with Mitsubishi is considered to be beneficial to the Group. Singamas and Mitsubishi could cooperate in selling and marketing of containers to be manufactured by HPCL and other Singamas' factories to specific customers in the Japanese market leveraging Mitsubishi's good business relations, and the Group can also expect to benefit from the synergy of Mitsubishi's existing trading, steel, shipbuilding and marine refrigerated container business and our operations.

- China Shipping Investment Co., Ltd., a subsidiary of China Shipping (Group) Company ("China Shipping Group") which is the world's sixth largest container shipping lines by shipping capacity, has reached agreement with the Company to acquire a 20 per cent. equity stake of Ningbo Pacific from Singamas at the consideration of approximately US$4.1 million. The partnership will allow both parties to tap the fast-growing Ningbo/Zhejiang market. China Shipping Group, being one of the top ten container shipping companies in the world, has been expanding and growing rapidly. This strategic alliance is expected to enhance Singamas' competitiveness in the market.

Singamas has successfully diversified its existing product lines to produce more higher value and sophisticated products:



- Manufacturing of two new products, U.S. domestic containers (45-foot, 48-foot and 53-foot containers) and chassis, has begun in 2006 at the Group's Qingdao plant. The two new products are mainly designed to cater for the North American domestic market as 53-foot is the maximum length for a standard size of container in the U.S. intermodal market allowable for land transportation in U.S., Canada and Mexico.

- After a detailed market study in 2005, Singamas found that there is a need for a new tank container builder in Asia. We have teamed up with Flax Field Trading B.V. ("FFT") of Holland, a group having many years of experience in design, manufacturing, engineering support, marketing and after sales service of tank container. FFT will assist Singamas to put up a specialised facility at our plant in Shunde with the latest design and equipment to produce quality tank container with proper training, strong engineering and design backup. Production is expected to commence at the end of 2006.

Besides continuing to focus on strengthening our core business – container manufacturing – by further enhancing our existing production facilities and expanding our manufacturing network to maximise production capacity, the Group is also introducing new products to enlarge its product mix and customer base. Continuing its proven business strategy, Singamas will strengthen its container manufacturing/depot and marketing networks to enhance its competitiveness and capture the vast opportunities in the years ahead.

ACKNOWLEDGEMENT

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 to Singamas. I would also like to thank my fellow board members and colleagues for 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 promising returns to our shareholders.

Chang Yun Chung
Chairman

Hong Kong, 20th March, 2006

Frequently Asked Questions

1. What significant business achievements have Singamas attained in 2005?

A. 2005 was a difficult year for the industry and a challenging year for Singamas. Despite the unfavourable business environment in second half of 2005, we still managed to attain a year-on-year profit attributable to equity holders of the Company growth of 13.3 per cent.

To further enhance our competitiveness and profitability, we have entered into strategic alliance with China Shipping (Group) Company, the world's sixth largest container shipping lines by shipping capacity, during the year. Negotiation is also underway for business cooperation with Mitsubishi Corporation, Japan's largest general trading house. In addition, we have successfully diversified our existing product lines to produce more high value and sophisticated products, such as U.S. domestic containers (45-foot, 48-foot and 53-foot containers), chassis and tank containers and we are launching these new products in 2006.

2. What are your competitive edges that made Singamas one of the world's leading container manufacturers and logistics service providers?

A. Singamas was one of the pioneer container manufacturing groups in the People's Republic of China (the "PRC"). Since the establishment of our first factory in Shanghai, the PRC in 1990, Singamas has been expanding rapidly and today, we own nine factories, eight at major PRC coastal ports and one in Surabaya, Indonesia. Two new factories, located in Hui Zhou, Guangdong Province and Ningbo, Zhejiang Province, the PRC are currently under construction and are expected to commence operations by mid-2006. Besides, we have also established a container depot/terminal network in the PRC.

With a comprehensive container factory and depot/terminal network in place, Singamas is enjoying the following advantages over our competitors:

- Customers are better served as the Group is providing them "one-stop" services;
- The Group's multi-location delivery capability is further enhanced; and
- The Group's competitiveness in the market has been increased.

3. How will the Group further develop its core business - container manufacturing to increase market share?

A. By mid-2006, after completion of our capacity expansion plan, which includes adding two new container factories locating in Hui Zhou and Ningbo respectively and relocating and expanding our Tianjin Pacific, our container factory network would be further extended with a total of eleven factories. Our maximum annual production capacity would also increase to 1.25 million twenty-foot equivalent units ("TEUs") from the current capacity of 850,000 TEUs.

The phasing in of new and bigger container vessels is expected to peak in 2007 and 2008. Growth in container shipping capacity is expected to average at 14.7 per cent. per annum from 2006 to 2009. Besides, according to PRC Government forecast, container throughput of the country is expected to increase at a CAGR rate of 15 per cent. between 2004 to 2010. The business environment appears to be favourable for container manufacturers in 2006 and Singamas, with its capacity expansion plan in place, is well positioned in the market to capture this anticipated rise in new container demand.

4. What will be the major growth drivers for the container manufacturing industry in 2006?

A. Container transportation is expected to continue to grow in 2006, translating into steady demand for new containers. New container vessels deliveries, continuous export and import growth of the PRC and increasing worldwide container traffic are among the major growth drivers for the container manufacturing industry in 2006.

5. What would be the effects of raw material costs on the container prices in 2006?

A. Container prices, which had risen since 2003 until May 2005, are largely cost driven, especially by the cost of steel plates. The price of Corten steel, the major raw material used in container manufacturing, started to increase in 2004 and up to May 2005 due to tight supply. In June 2005, container prices began to drop due largely to the easing of steel supply pressure and declining steel prices. Steel price has further softened in the second half of 2005 but was levelled off at end of 2005. Then after the Chinese New Year holidays in 2006, steel price has been gradually increasing. With the recent increase in steel price, container prices are rebounding and new container demand is back. We expect container prices to be relatively stable in 2006 with upward adjustment if steel price were to further increase as well.

6. The Group's logistics operations have been performing at a satisfactory level. Will the Group step up its effort in lifting the performance of this segment? How?

A. The Group has been actively expanding the business scope of our logistics operations in order to enhance this business segment's profitability. In line with this objective, some of our container depots have also obtained Chinese Class One freight forwarding license.

7. What is the Group's future plan to enlarge its product mix and customer base?

A. The Group will continuously strive to expand its product mix by adding more high value and sophisticated products. Through cooperating with Mitsubishi Corporation, Flax Field Trading B.V. and other professionals with vast experience in the container and container related markets, the Group could extend its marketing coverage with an enlarged customer base.

8. Will the Group continue to form strategic alliances with other companies to strengthen its market position?

A. Yes, the Group will continue seeking strategic alliances with other companies to strengthen its market position.

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

A. The Group is still expanding, including adding new products of higher value and more sophistication to our existing product lines. In addition, we strive to maintain our gearing ratios to a healthy level in order to strengthen our financial position and to minimise our financial costs. Accordingly, we need to reserve a portion of our profit to fund our projects as well as to pay down our bank debts. The Company realises the need to provide our shareholders a reasonable return by making a stable stream of dividend payments to them. Our Board's current guideline on future dividend payment is about 25 to 30 per cent. of the Group's profit attributable to equity holders of the Company for the year.

Note: "A" means "Answer".

Directors and Senior Management Profile

DIRECTORS

The 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*
△ *Remuneration 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 Mr. Teo Woon Tiong), aged 87, 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.) Limited 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 51, 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, Chairman of Singapore Maritime Foundation and Chairman of the Asia Shipowners Committee to Lloyd's Register Asia. He sits on the boards of Standard Steamship Owner's Protection & Indemnity Association (Bermuda) Limited, Through Transport Mutual Insurance Association Limited and Maritime and Port Authority of Singapore.

Mr. Hsueh Chao En, *Dip. Eng.*, aged 53, 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 59, appointed as Executive Director of the Company on 31st December, 2004. He studied at the Shanghai Jiao Tong University and 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 26 years of experience in the container manufacturing industry in the PRC.

Mr. Teo Tiou Seng, aged 53, 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 23 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 joined PIL in 1994 as the General Manager of the Finance Division and has been an Executive Director of the Finance Division of PIL since 7th June, 2004. Mr. Kuan is also a director of PST Management Pte. Ltd. Prior joining PIL, he held a number of senior financial and accounting positions across diverse business groups, including two public listed companies in Malaysia. Mr. Kuan is a fellow member of The Chartered Institute of Management Accountants (United Kingdom).

Mr. Ngan Man Kit, Alexander, aged 55, 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 32 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. Ngan is currently a director of Clearant Inc. and was also previously a director of EUPA International Ltd., both companies are listed on NASDAQ.

Mr. Ong Ka Thai, aged 51, appointed as Independent Non-executive Director of the Company on 17th May, 1997. Mr. Ong is currently the Chairman of a number of companies including Ong Pacific (H.K.) 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 29 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 60, 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 board of one publicly listed company in Singapore. This is EnGro Corporation Ltd.. He was also previously on the boards of Gul Technologies Singapore Ltd. and Speedy-Tech Electronics Ltd., two other publicly listed companies in Singapore.

All 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 (resigned on 31st January, 2006)*
Mr. Wang Yung Fu, Terry	*Chief Representative - China Container Depot Operations (appointed on 1st January, 2006)*

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 43, 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 18 years of combined experience in public accountancy, manufacturing, distribution and construction.

Mr. Chan Kwok Leung, Andy, aged 48, 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 26 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. Wang Yung Fu, Terry, *B. Navigation & Marine Management*, aged 45, Chief Representative - China Container Depot Operations, joined the Company on 1st January, 2006 and is also a director of various subsidiaries of the Company. Mr. Wang has more than 20 years' experience in shipping lines management. Prior to joining the Company, he was the General Manager of PIL, Qingdao Branch and Shanghai Branch.

CORPORATE GOVERNANCE PRACTICES

Save for the two deviations explained below, Singamas Container Holdings Limited ("Singamas"/ "the Company") has fully complied with the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKEx") since the newly promulgated the Code became effective from 1st January, 2005.

The board of directors ("Board") of the Company ("the Directors") believes that appropriate corporate governance practices are essential for the Company to enhance its accountability and transparency so as to achieve a balance of the interests of shareholders, customers, employees and investment partners of the Company in all material respects. Accordingly, the Company aims at maintaining high standards of corporate governance practices.

The Company has applied the principles in the Code, except for two deviations, as outlined below:

Key Corporate Governance Principles and the Company's Practices

A. Directors

A.1 The Board

Code Principle

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Governance Procedures of the Company against the Code Provisions

The Company is headed by an effective Board comprising nine Directors. Taking into account the nature and scope of the Company's operations, the Board size is appropriate. The Board consists of high calibre members with a wealth of knowledge, expertise and experience. The Board members contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, banking, business, management and general corporate matters. Please refer to the brief biographical details of the Directors set out on pages 18 to 19 of this Annual Report.

The Board acts in the best interests of the Company. The Directors exercise their due diligence in the performance of their duties. Apart from its statutory and fiduciary responsibilities, the Board reviews the financial performance of the Group and approves and monitors the Group's strategic plans, major investments, funding proposals and risk management policies. The Board is also responsible for monitoring managerial performance, achieving adequate return for the shareholders each year, and promoting good corporate governance by reviewing the recommendations made from audit committee ("Audit Committee") and remuneration committee ("Remuneration Committee") of the Company.

The Company's articles of association ("Articles") provides that if a director has a conflict of interest in a material matter, such director must abstain from voting and not be counted in quorum. Therefore, the full board meeting will be held instead of by way of circulation.

Code Provisions	Alignment?	Governance Procedures of the Company
• At least four board meetings a year.	Yes	• The Board met four times in 2005. • Attendance records of the Directors in 2005: **Attendance (%)** **Executive Directors** Chang Yun Chung (also known as Teo Woon Tiong) 100 Teo Siong Seng 100 Hsueh Chao En 75 Jin Xu Chu 75 Teo Tiou Seng 100 **Non-executive Directors** Kuan Kim Kin 100 **Independent Non-executive Directors** Ngan Man Kit, Alexander 50 Ong Ka Thai 100 Soh Kim Soon 100
• Directors are given an opportunity to include matters in the agenda for regular board meetings.	Yes	• Directors are consulted to include any matters in the agenda for regular Board meetings.
• Notice of at least 14 days should be given of a regular board meeting.	Yes	• The Company normally gives notice and draft agenda of regular Board meetings at least 14 days in advance.
• Directors should have access to the advice and service of the company secretary.	Yes	• All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with and all applicable rules and regulations are followed.
• Minimes of board meetings and meetings of board committees should be kept by a duly appointed secretary and open for inspection. • Draft and final versions of minutes are sent to all directors for comments within a reasonable time.	Yes	• The Company Secretary is responsible for taking minutes of the Board and Audit Committee meetings. Another duly appointed secretary is responsible for taking minutes of Remuneration Committee meetings. All draft minutes are sent to Directors or committee members for review and comment within a reasonable time (generally within one month after each meeting) with the final version to be sent to Directors soonest thereafter. The minutes are made available for inspection by Directors or committee members at the Company's registered office.

Code Provisions	Alignment?	Governance Procedures of the Company
• Agreed procedures for directors to seek independent professional advice at the issuer's expense.	Yes	• Directors have free access to the legal counsel of the Company and if needed and upon request, Directors are allowed to seek independent professional advice at the Company's expenses.
• If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, board meeting should be held. Such director must abstain from voting and not be counted in quorum.	Yes	• The Company has formulated and implemented guidelines for such matters that require board meetings to be held instead of by way of circulation. • The Company's Articles provide for voting and quorum requirements conforming with Code requirements.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• Insurance cover in respect of legal action against directors.	Yes	• There is in place a Directors' & Officers' Liabilities Insurance cover.
• Board committees should adopt broadly the same principles and procedures.	Yes	• Board committees adopt broadly the same principles and procedures as stated above.

A.2 Chairman and Chief Executive Officer

Code Principle

There should be a clear division of responsibilities at the board level - separate offices of chairman and chief executive officer to ensure a balance of power and authority.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between chairman and chief executive officer should be clearly established in writing.	Yes	• Chang Yun Chung serves as the Chairman and Teo Siong Seng serves as the President and Chief Executive Officer of the Company. The Chairman focuses on Board issues and the Group's overall strategies. The President and Chief Executive Officer has overall responsibility for the daily operations and general development of the Group.
• The chairman should ensure all directors be briefed on issues arising at board meetings. • The chairman should be responsible for ensuring that directors receive adequate information in a timely manner.	Yes	• Assisted by the Company Secretary, the Chairman has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities through the issue of Board papers, etc. normally about one week in advance of the Board meeting.

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting.	Yes	• The agenda of Board meetings is finalised by the Chairman in consultation with Executive Directors and Company Secretary after taking into consideration any matters proposed by the non-executive Directors (including independent non-executive Directors).
• The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	Yes	• The Chairman takes a key role in developing corporate governance procedures in the Company.
• The chairman should encourage all directors to make a full and active contribution to the board's affairs.	Yes	• The Chairman meets with the Directors regularly to discuss various matters of the Group and encourages the Directors to express their views concerning the management of the Group.

A.3 Board Composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgment can effectively be exercised. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Independent non-executive directors should be expressly identified in all corporate communications.	Yes	• Composition of the Board, by category of Directors, is disclosed in all corporate communications.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• Independent non-executive directors should represent at least one-third of the board.	Yes	• The Board comprises three independent non-executive Directors representing one-third of the full Board.
• An issuer should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	Yes	• An updated list of Directors with their role and function is maintained on the website of the Company.

A.4 Appointments, Re-Election and Removal

Code Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. Resignation or removal of any director should be explained.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Non-executive directors should be appointed for a specific term, subject to re-election.	Partial Alignment	• Non-executive Directors are appointed for one year but subject to re-election at the annual general meeting under the Company's Articles. • Under the Company's Articles, every Director, other than the Managing Director who shall be subject to retirement at least once every three years, shall retire from office at the annual general meeting in every year but shall be eligible for re-election. • Deviation: – Under the Company's existing Articles, new Directors (including those appointed to fill a casual vacancy) are required to submit themselves for re-election at the first annual general meeting following their appointment. – In order to ensure full compliance with the Code Provision, the Company intends to amend its Articles in the forthcoming annual general meeting which requires that any Director appointed by the Board to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after such Director's appointment.
• All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.		
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• Election of an independent non-executive director serving for more than nine years should be subject to a separate resolution to be approved by shareholders and the board should provide explanatory statement with information on his independence to shareholders.	Yes	• The Company's circular of its annual general meeting contained detailed information on election of Directors, including detailed biographies, interests, and (where appropriate) independence of all Directors standing for re-election. • Each of the independent non-executive Directors has confirmed their independence on 20th March, 2006.
• Where the board proposes a resolution to elect an individual as independent non-executive director at the general meeting, explanatory statement with information on his independence should be provided to shareholders.		

A.5 Responsibilities of Directors

Code Principle

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Every newly appointed director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common laws, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.	Yes	• On appointment, new Directors are given a comprehensive briefing and related materials of the Group's business activities, induction into their responsibilities and duties, and other regulatory requirements. • All Directors, including non-executive Directors, are regularly provided with comprehensive reports on the management's strategic plans, updates on lines of business, financial information, etc. • The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.
• Functions of non-executive directors should include: – bring an independent judgement at the board meeting; – take the lead where potential conflicts of interests arise; – serve on the audit, remuneration, nomination and other governance committees, if invited; and – scrutinise the issuer's performance. • Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.	Yes	• Non-executive Directors are well aware of their functions and have been actively performing their functions. On an on-going basis, Directors review with management in respect of the Group's strategic development and direction and emerging risks and opportunities available to the Group. • There has been satisfactory attendance for Board and Board committee meetings in 2005.
• Directors must comply with their obligations under the Model Code set out in Appendix 10.	Yes	• The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this report, the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction.

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• Directors should disclose to the issuer at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments.	Yes	• Directors disclose their other directorships to the Company at least once a year.
• Directors should ensure regular attendance and active participation of board, board committee and general meetings.	Yes	• There has been satisfactory attendance for Board, Board committee and general meetings in 2005.
• Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	Yes	• Details on roles and functioning of non-executive Directors are set out above.

A.6 Supply of and Access to Information

Code Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

Governance Procedures of the Company against the Code Provisions

The monthly management accounts are provided to the executive members of the Board by the Management. Board papers are sent to the Directors about one week before each Board meeting.

Code Provisions	Alignment?	Governance Procedures of the Company
• An agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting.	Yes	• An agenda and accompanying Board papers are sent to Directors about one week before the date of Board/committee meeting.
• Management has an obligation to supply the board and its committees with adequate information in a timely manner. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. The board and each director should have separate and independent access to the issuer's senior management.	Yes	• Senior management are from time to time brought into formal and informal contact with the Board at Board meetings and other events. Relevant information is being given to the Board upon request.
• Directors are entitled to have access to board papers and related materials. Steps must be taken to respond as promptly and fully as possible to director queries.	Yes	• Board papers and minutes are made available for inspection by Directors and Committee members. Senior management of the Company has taken appropriate steps to respond promptly and fully to any queries raised by Directors.

B. Remuneration of Directors and Senior Management

B.1 The Level and Make-up of Remuneration and Disclosure

Code Principle

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. A formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors should be established. No director should be involved in deciding his own remuneration.

Governance Procedures of the Company against the Code Provisions

The Board has established Remuneration Committee to make recommendation on the Company's remuneration policy and structure for all remuneration of Directors and senior management. No Director and senior management can determine his own remuneration.

In 2005, the Remuneration Committee met once and attendance of individual member at Remuneration Committee meeting in the year is summarised below:

	Attendance (%)
Committee members	
Ngan Man Kit, Alexander *(Chairman)*	100
Ong Ka Thai	100
Kuan Kim Kin	100

Details of each Director's remuneration for the year under review are set out on page 88 of this Annual Report.

Code Provisions	Alignment?	Governance Procedures of the Company
• Issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.	Yes	• The Company established the Remuneration Committee in 2005. Members of the Committee are: **Independent Non-executive Directors:** Ngan Man Kit, Alexander *(Chairman)* Ong Ka Thai **Non-executive Director:** Kuan Kim Kin • Full terms of reference are available on the Company's website (www.singamas.com). • Each Committee member is given a copy of the full terms of reference.
• Terms of reference of remuneration committee should include, as a minimum, certain specific duties as set out in Code Provision B.1.3 of Appendix 14 to the Listing Rules.		
• The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.		

Code Provisions	Alignment?	Governance Procedures of the Company
• The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	Yes	• Meetings have been held between the Committee Chairman and the Board Chairman and/or Chief Executive Officer to discuss the various matters concerning the remuneration and related policy of Executive Directors and senior management.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	Yes	• Details of remuneration of Directors are disclosed on an individual basis. A performance-based element has been built into top management compensation.

C. Accountability and Audit

C.1 Financial Reporting

Code Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Management to provide explanation and information to the board as to enable the board to make an informed assessment of the financial and other information put before the board for approval.	Yes	• Board paper with full details and explanation is provided to the Directors in advance, enabling them to make informed assessment of the underlying transaction which is subject to the Board's approval.
• Directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts; a statement by the auditors regarding reporting responsibilities in auditors' report.	Yes	• A statement of director responsibilities for Financial Statements is set out in this Annual Report. • The Auditors' Report states auditors' reporting responsibilities.
• The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, price-sensitive announcements, other price-sensitive announcements and other financial disclosure required under the Listing Rules and statutory requirements.	Yes	• The Board aims to present a comprehensive, balanced, clear and understandable assessment of the Group's position and prospects in all shareholder communications.

C.2 Internal Controls

Code Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries.	Yes	• The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. • The Company appointed two external accounting firms to act as internal auditors for the Company by conducting internal audit on selected operating units of the Group. These appointed internal auditors report directly to the Audit Committee. The Audit Committee, in return, communicates any material issues to the full Board. • Management regularly reviews the effectiveness of the risk management and system of internal controls and compliance with best practices.

C.3 Audit Committee

Code Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

Governance Procedures of the Company against the Code Provisions

The Board has established the Audit Committee to investigate any activity within its terms of reference and make recommendation to the Board for any necessary improvement.

The members of Audit Committee include two independent non-executive Directors, namely, Mr. Ong Ka Thai *(Chairman)* and Mr. Soh Kim Soon, and a non-executive Directors, namely, Mr. Kuan Kim Kin.

The Chairman of Audit Committee reports the findings and recommendations to the Board after each meeting. The Committee met three times during this year under review.

The details of Audit Committee members' attendance in 2005 are as follows:

Committee members	Attendance (%)
Ong Ka Thai *(Chairman)*	100
Kuan Kim Kin	100
Soh Kim Soon	100

Code Provisions	Alignment?	Governance Procedures of the Company
• Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of audit committee meetings should be sent to all members of the committee for their comment and records respectively within a reasonable time after the meeting.	Yes	• The Company Secretary is also the secretary of the Audit Committee who keeps full minutes of all Audit Committee meetings. • Draft version of minutes is sent to Audit Committee members for comment normally within one month from the date of the meeting. Final version of minutes is sent to the Audit Committee members for their records as soon as the related draft is finalised.
• A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee.	Yes	• None of the three Audit Committee members is a former partner of the Company's existing external auditors.
• The terms of reference of the audit committee should include at least the certain duties as prescribed in Code Provision C.3.3 of Appendix 14 to the Listing Rules. • The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	Yes	• Full terms of reference are available on the Company's website (www.singamas.com) and a copy of the terms of reference is given to each member of the Audit Committee.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	Yes	• Since the establishment of Audit Committee in 1998, there had not been any disagreement between the Audit Committee and the Board in respect of the selection, appointment, resignation or dismissal of the external auditors.
• The audit committee should be provided with sufficient resources to discharge its duties.	Yes	• Sufficient resources, including obtaining outside professional advice or assistance, are provided to the Audit Committee.

D. Delegation by the Board

D.1 Management Functions

Code Principle

The issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Governance Procedures of the Company against the Code Provisions

Certain matters are specifically reserved to the Board for decision under the Company's internal guidelines and financial authority limits structure. Board approval is specifically required for material transactions such as acquisitions and disposals of assets of the Group. The management is generally responsible for the implementation of daily operations subject to the Board's decision generally or specifically.

Code Provisions	Alignment?	Governance Procedures of the Company
• When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the board.	Yes	• Internal guidelines have been formulated in respect to those matters reserved for the Board and functions or authorities delegated to management.
• An issuer should formalise the functions reserved to the board and those delegated to management.		

D.2 Board Committees

Code Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Board should prescribe sufficiently clear terms of reference to enable proper discharge of committee functions.	Yes	• The Board has established the Audit Committee and Remuneration Committee with specific terms of reference.
• The terms of reference should require committees to report their decisions to the board.	Yes	• Board Committees report to the Board their work and findings they have performed during the period in each Board meeting. • Minutes of each Committee meeting are also circulated to the Directors for their information.

E. Communication with Shareholders

E.1 Effective Communication

Code Principle

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	Yes	• Separate resolutions are proposed on each substantially separate issue at general meetings.
• The chairman of the board should attend the annual general meeting and arrange for the chairmen of board committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. Chairman of independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	• The Board Chairman and each chairman of the Audit Committee and Remuneration Committee will be attending the forthcoming annual general meeting of the Company.

E.2 Voting by Poll

Code Principle

The issuer should regularly inform shareholders of the procedures for voting by poll and ensure compliance with the requirement about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Disclosure in general meeting circulars of procedures and rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in rule 13.39(4). • In particular, pursuant to rule 13.39(3), chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.	Partial Alignment	• Procedures for demanding a poll were set out in the circular accompanying the notice of 2005 annual general meeting and also in circulars of other general meetings. These procedures were also explained during the 2005 annual general meeting and other general meetings proceedings. • A representative of the Company (for the 2005 annual general meeting) and Share Registrar (for other general meetings) was appointed as scrutineer. • Poll results, if applicable, were published in major Hong Kong newspapers on the business day following the meeting and posted on the websites of HKEx and the Company. • Deviation: – According to the existing Articles of the Company, a poll may be demanded: (a) by the chairman; or (b) by not less than three members having the right to vote at the meeting; or (c) by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (d) by a member or member holding shares conferring a right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the share conferring that right. – Under the existing Articles, no provision has been provided for allowing Directors holding proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting to demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. The Company intends to amend its Articles to be in line with this Code Provision in the forthcoming annual general meeting.
• The issuer should ensure that votes cast are properly counted and recorded.		
• Chairman of meeting should adequately explain the poll procedures at commencement of meeting.		

NOMINATION OF DIRECTORS

The Company does not have a nomination committee but will consider setting up one at an appropriate time. Currently all new appointments and re-appointments to the Board are subject to the concurrence of all Board members whose deliberations are based on the following criteria:

- Integrity
- Independent mindedness
- Possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing Directors on the Board
- Able to commit time and effort to carry out duties and responsibilities effectively
- A good track record of experience at a senior level in corporations/organisations
- Financially literate

AUDITORS' REMUNERATION

The Company's Audit Committee has recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte Touche Tohmatsu be re-appointed as the external auditors for 2006.

During the year under review, the fees paid to the Company's external Hong Kong auditors for audit work amounted to HK$2,300,000 and for non-audit and review activities amounted to HK$174,000 (including HK$150,000 for interim review and HK$24,000 for tax review).

STATEMENT OF DIRECTOR RESPONSIBILITIES FOR FINANCIAL STATEMENTS

All Directors acknowledge that they are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31st December, 2005, the Directors have selected suitable accounting policies and applied them consistently, adopted of all new Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent and reasonable and prepared the accounts on the going concern basis.

The Board, through the Audit Committee, has conducted annual reviews of the effectiveness of the system of internal control covering all controls, including financial, operational and compliance controls, broad-based risk management processes, and physical and information system security of selected operating units of the Company. No suspected frauds and irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations have come to the Committee's attention to cause the Committee believe that the system of internal controls is inadequate. Save for the two deviations explained above, the Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code provisions on internal controls during the year under review.

INVESTOR RELATIONS

The Company always provides updated Group's performance information to all shareholders when it becomes available, through the publication of interim and annual reports, circulars, notices, media releases and so forth. The Company has made such information available on the Company's website (www.singamas.com) as well as on independent website providers (www.irasia.com and quamir.quamnet.com). This purpose is to provide our shareholders, including institutional shareholders an alternative channel to access the Group's performance easily and reach the potential shareholders globally.

Apart from providing a forum for Directors' dialogue with shareholders in the Company's general meetings during the year, the Company always continues to enhance shareholders communications including institutional shareholders communications by holding press and analyst conferences locally and overseas during any reporting period or year. The institutional shareholders may ask questions on the Company's operations or related financial information in such conferences and the Company would then have the opportunity explaining to them the latest status of the Group's development. This direct communication with shareholders or potential shareholders would let them aware of whether the standards and the manner that the Company conducts may meet their expectation. In addition, the Company has introduced a Frequently Asked Questions section in its Annual Report in recent years so as to provide our shareholders more clear and concise information that may be of common concern. Besides, the Company responds to letters and telephone enquiries from shareholders and potential shareholders throughout the year.

The directors ("Directors") of the Singamas Container Holdings Limited ("Singamas" / "The Company") 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, 2005.

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 principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 20, 22 and 23, respectively to the financial statements.

An analysis of the Group's revenue and contribution to profit before taxation for the year ended 31st December, 2005 by principal activity is as follows:

ANALYSIS BY PRINCIPAL ACTIVITY

	Revenue US$'000	**Contribution to profit before taxation** US$'000
Container manufacturing	809,166	48,572
Logistics services		
Container depot/terminal	18,501	5,604
Mid-stream	15,269	3,228
	842,936	57,404
Finance costs		(9,330)
Investment income		1,186
Share of results of associates		1,208
Share of results of jointly controlled entities		9,683
Profit before taxation		60,151

An analysis of the Group's revenue for the year ended 31st December, 2005 by geographical market is as follows:

ANALYSIS BY GEOGRAPHICAL MARKET

	Revenue
	US$'000
Europe	289,122
United States	181,071
Hong Kong	167,704
People's Republic of China ("PRC") (other than Hong Kong and Taiwan)	84,404
Korea	39,767
Taiwan	26,978
Others	53,890
	842,936

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 52.

The Directors recommended the payment of a final dividend of HK9 cents per share (2004: HK12 cents per share). Together with the interim dividend of HK9 cents per share (2004: HK4 cents per share), total dividend for the year was HK18 cents (2004: HK16 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend is payable on or before 31st July, 2006 to those shareholders whose names appear on the register of members of the Company on Thursday, 18th May, 2006. The register of members of the Company will be closed from Monday, 15th May, 2006 to Thursday, 18th May, 2006, 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 121 to 122.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 34 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 17 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 20, 22 and 23, respectively to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2005, the Group had bank balances and cash of US$102,604,000 (2004: US$69,466,000) and total interest-bearing borrowings of US$158,402,000 (2004: US$108,437,000). This represented a gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over equity attributable to equity holders of the Company, of 0.73 (2004: 0.6) 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$102,604,000) over equity attributable to equity holders of the Company, of 0.26 (2004: 0.22). The Company used the US$43.4 million net proceeds raised from a share placement concluded in October 2004 to repay some of its outstanding working loans, which reduced the Group's total interest-bearing borrowings as at 31st December, 2004. Besides, following certain amendments to the terms of the relevant joint venture agreements of Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") and Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific"), two former jointly controlled entities of the Group, Shanghai Baoshan and Tianjin Pacific have become subsidiaries of the Group since 1st January, 2005 and 1st August, 2005, respectively. The consolidation of the liabilities of Shanghai Baoshan and Tianjin Pacific increased the Group's total interest-bearing borrowings of 2005. The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 9.5 times in 2005, compared to 15.78 times in 2004.

TREASURY POLICIES

The Group's maintains a conservative approach on foreign exchange exposure management. The Group's revenues are mostly transacted in US$ and maintain cash balances mainly in US$, same is true for its machinery and raw material purchases. To a much lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. The majority of the Group's borrowings, approximately 96.1 per cent. of the total as at 31st December, 2005 was in US$ with the balance in RMB. This policy adheres to the Group's principle to match its revenue stream with borrowings in same currency to minimise currency exposure.

A large portion 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 five years with US$48,015,000 repayable within one year and US$110,387,000 within two to five years. The Group's borrowings are principally on a floating rate basis. As at 31st December, 2005, the Company has outstanding interest rate swap with its notional amount of US$50 million (2004: 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 35 to the financial statements. No interest was capitalised by the Group during the year.

ACQUISITIONS

During 2005, the Group made the following acquisitions or investments:

- established a dry freight and specialised container manufacturing factory with an estimated maximum annual production capacity of 100,000 TEUs in Yin Zhou, Ningbo, the PRC by forming Ningbo Pacific Container Co., Ltd. ("Ningbo Pacific"), a wholly owned-subsidiary of the Company, at an investment cost of US$20 million;

- established a container chassis manufacturing factory in Qingdao, the PRC by forming Qingdao Singamas Industrial Vehicle Co., Ltd. ("Qingdao Singamas"); and

- established a dry freight container factory with estimated maximum annual production capacity of 200,000 TEUs in Hui Zhou, Guangdong Province, the PRC by forming Hui Zhou Pacific Container Co., Ltd. ("Hui Zhou Pacific"), a wholly owned-subsidiary of the Company, at an investment cost of US$40 million.

As at the date of this Annual Report, all investments were fully paid up.

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

CONNECTED TRANSACTION

On 29th September, 2005, the Company entered into a joint venture agreement ("Agreement") with Hiking Group Co., Ltd. ("Hiking Group") to form Qingdao Singamas, a sino-foreign equity joint venture enterprise to be engaged in the business of container chassis manufacturing and is located in Qingdao, the PRC. The Company and Hiking Group agreed to acquire 49.5 per cent. and 50.5 per cent. equity interests in Qingdao Singamas, respectively. Under the Agreement, the total investment cost of Qingdao Singamas is RMB20 million, which is equivalent to the registered and paid-up capital of Qingdao Singamas. The consideration paid by the Company for its 49.5 per cent. equity interest amounted RMB9.9 million, which has been funded by internal resources of the Group. In view that Hiking Group was a substantial shareholder of Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific"), a 55 per cent. owned jointly controlled entity of the Company, holding 45 per cent. equity interest in Qingdao Pacific, Hiking Group was a connected person and the entering into the 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 Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKEx").

CONTINUING CONNECTED TRANSACTIONS

On 12th January, 2005, Singamas Terminals (Hong Kong) Limited ("STHK"), a company engaged in the business of provision of mid-stream services and a wholly owned-subsidiary of the Company, entered into a terminal agreement (the "Terminal Agreement") with Pacific International Lines (H.K.) Limited ("PILHK") to take effect retrospectively from 1st January, 2005, for a term of three years. PILHK, a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors and shareholders of Pacific International Lines (Private) Limited ("PIL"), have beneficial interests, is an associate of PIL, the controlling and substantial shareholder of the Company, as defined under the Listing Rules. The Terminal Agreement involves 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 would exceed 1 per cent. threshold in Rules 14A.31(7) but would 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 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, 2005 did not exceed the annual cap of HK$58 million.

Pursuant to Rule 14A.38, the Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors 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.

VOLUNTARY DELISTING FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Reference is made to the announcements dated 13th October, 2005, 10th November, 2005, 16th November, 2005, 9th December, 2005 and 5th January, 2006 and the circular dated 16th November, 2005 of the Company, respectively in respect of a voluntary delisting of the Company from the Official List of The Singapore Exchange Securities Trading Limited ("SGX-ST") pursuant to Rule 1306 of the SGX-ST Listing Manual ("Delisting"). After the shareholders of the Company had approved the Delisting at an extraordinary general meeting held on 9th December, 2005, the shares of the Company were removed from the Official List of the SGX-ST at the close of trading on 27th December, 2005 and the shares of the Company were delisted on the SGX-ST on 5th January, 2006. After the Delisting, the shares of the Company continue to be listed and traded on HKEx.

CHARGES ON ASSETS

As at 31st December, 2005, certain assets of the Group with aggregate carrying value of US$6,062,000 (2004: US$13,216,000) were pledged as securities for credit facilities granted by banks to subsidiaries in the PRC.

CONTINGENT LIABILITIES

During 2005, 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, 2005, total amount of bank facilities of which guarantees were provided, utilised by the jointly controlled entities was US$10,000,000.

SHARE CAPITAL

Details of share capital are set out in note 33 to the financial statements.

CORPORATE GOVERNANCE

The Company committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Code on Corporate Governance Practices ("the Code") during the year ended 31st December, 2005.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report", "Audit Committee Report" and "Remuneration Committee Report".

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, all of the Directors have 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

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
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. A director so appointed as to the office of managing director, shall be subject to retirement by rotation at least once every three years but shall be eligible for re-election.

The term of office for independent non-executive directors of the Company is for a year and is subject to retirement and re-election at the annual general meeting in accordance with the Company's articles of association.

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

DIRECTORS' INTERESTS

As at 31st December, 2005, the interests or short positions of the Directors 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 HKEx 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 contained in the Listing Rules, to be notified to the Company and HKEx 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	–	303,088,178 *(note)*	49.59
Mr. Teo Siong Seng	Beneficial Owner	13,234,000	–	2.17

Note: These shares are held by PIL in which Mr. Chang Yun Chung is interested in aggregate, in 165,600,000 shares representing 89.61 per cent. of the issued share capital of PIL. Mr. Chang Yun Chung's interest in shares of PIL comprises a personal interest in 26,425,000 shares and corporate interests in 58,500,000 shares through South Pacific International Holdings Limited, a company in which he holds 1.87 per cent. of the issued share capital and 80,675,000 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 1,200,000 shares and 800,000 shares respectively and representing 0.65 per cent. and 0.43 per cent. of the issued share capital of PIL.

The Company does not have any share option scheme.

Other than those disclosed in note 42 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 HKEx 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 contained in the Listing Rules, to be notified to the Company or HKEx; 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, 2005, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any Director, 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:

		Number of Ordinary Shares of HK$0.10 Each		
Name	*Notes*	**Direct Interest**	**Indirect Interest**	**Percentage of Total Issued Shares**
Madam Lee Kheng Wah	*(1)*	–	303,088,178 (L)#	49.59
PIL	*(2)*	303,088,178 (L)#	–	49.59
Y.C. Chang & Sons Private Limited	*(3)*	–	303,088,178 (L)#	49.59

 # (L) – Long Position

Notes:

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

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

(3) 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, 2005, 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.

DIRECTORS' SERVICE AGREEMENT

Mr. Teo Siong Seng has entered into a service agreement with the Company. Unless terminated by cause, the service agreement is valid for an initial term of three years which commenced on 1st January, 2005. Thereafter, the service agreement is valid for a further three years, unless terminated by either party giving at least three months' notice. As 31st December, 2005, no other Directors or proposed directors had any existing service contract or proposed service contract with the Company or any of its subsidiaries 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	15.9
Percentage of purchases attributable to the Group's five largest suppliers	31.9
Percentage of sales attributable to the Group's largest customer	11.2
Percentage of sales attributable to the Group's five largest customers	35.2

During the year, none of the Directors or their associates or any shareholder (which to the knowledge of the Directors own 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 BENEFIT SCHEMES

Details of the Retirement Benefit Schemes are set out in note 13 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, 2005, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 6,580 (2004: 5,492) full-time employees. Staff costs (including Directors' emoluments) amounted to US$36.6 million (2004: US$24.8 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 awarded 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 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.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25 per cent. 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 20th May, 2005, the Company has entered into a facility agreement (the "Facility Agreement") with a syndicate of banks in respect of the US$100,000,000 term loan and revolving credit facilities ("Facility") for a term of five years for the purposes of refinancing the US$40,000,000 term loan and revolving credit facilities provided to the Company under a facility agreement dated 30th September, 2003 between the Company and a group of financial institutions named therein and funding certain business acquisitions and the working capital requirements of the Group. The Facility Agreement includes conditions to the effect that PIL, a substantial and controlling shareholder of the Company, continues to be the controlling shareholder (as defined in the Listing Rules) and the single largest beneficial shareholder of the Company. A breach of the above conditions will constitute an event of default under the Facility Agreement. If such an event of default occurs, all amounts outstanding under the Facility may become immediately due and payable. 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

On 17th November, 2004, the Company made an announcement pursuant to Rule 13.22 and Chapter 14 of the Listing Rules with respect to the provision of corporate guarantees up to a maximum liability of US$103,662,000 given, on a joint and several basis, for banking facilities ("Banking Facilities") of Qingdao Pacific, Shanghai Baoshan, Tianjin Pacific and Xiamen Pacific Container Manufacturing Co., Ltd. ("Xiamen Pacific"), at that time the jointly controlled entities of the Group and were treated as affiliated companies of the Company under the Listing Rules.

With effect from 1st January, 2005 and 1st August, 2005 respectively, Shanghai Baoshan and Tianjin Pacific have become subsidiaries of the Group and no longer considered affiliated companies under the Listing Rules. As at 31st December, 2005, Banking Facilities utilized by Qingdao Pacific and Xiamen Pacific, two remaining affiliated companies, totalled US$10,000,000 (31st December, 2004: US$50,811,000).

As at 31st December, 2005, guarantees in the total amount of US$21,000,000 (31st December, 2004: US$103,662,000) given for Banking Facilities granted to its affiliated companies by the Company represented approximately 6.8 per cent. of the Company's market capitalisation, which amounted to approximately HK$2,399,072,883 based on the average closing price of HK$3.925 per share for the five business days immediate preceding 31st December, 2005.

The combined balance sheet of the affiliated companies as at 31st December, 2005, which includes the assets and liabilities of the aforesaid two jointly controlled entities, is as follows:

	US$'000
Non-current assets	62,589
Current assets	123,689
Current liabilities	(74,461)
Net current assets	49,228
Non-current liabilities	(485)
Minority interests	(68,486)
Attributable interest of the Group	42,846

AUDITORS

A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chang Yun Chung
Chairman

Hong Kong, 20th March, 2006

Audit Committee Report

The Audit Committee comprises of three members, two of whom are independent non-executive Directors appointed by the Board who have extensive experience in financial matters. Neither of them are employed by or otherwise affiliated with the former or existing external auditors of the Company.

The Audit Committee has been established to investigate any activity within its terms of reference and make recommendations to the Board for any necessary improvement. Full terms of reference are available on the Company's website (www.singamas.com).

The Audit Committee is provided with sufficient resources to discharge its duties. The Audit Committee is accountable to the Board and minutes of meetings are circulated to the Board for information.

The following is a summary of the work of the Audit Committee during the year under review:

1. review of the financial reports for the year ended 31st December, 2004 and for the six months ended 30th June, 2005;

2. review of the external auditors' statutory audit plan and the letters of representation;

3. review of the findings and recommendations of the internal auditors;

4. consider and approve the 2005 audit fees for the external auditors;

5. review of the "continuing connected transactions" set forth on page 41; and

6. review of the effectiveness of the internal control system of the Company.

On 17th March, 2006, the Audit Committee met to review the 2005 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with external auditors. Based on this review and discussions with the management, internal auditors, and external auditors, the Audit Committee endorsed the accounting treatment adopted by the Company and had to the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix 16 of the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31st December, 2005 for public release.

The Audit Committee also recommended the re-appointment of Deloitte Touche Tohmatsu as the Group's external auditors for 2006 and that the related resolution shall be put forth for shareholders' consideration and approval at the forthcoming 2006 annual general meeting.

The Audit Committee has regular meetings at least twice a year. In 2005, a total of three meetings were convened and held and the attendance record is 100 per cent.

Members of the Audit Committee
Ong Ka Thai *(Chairman)*
Kuan Kim Kin
Soh Kim Soon

Hong Kong, 20th March, 2006

Remuneration Committee Report

Appointed by the Board, the Remuneration Committee comprises of three members, two of whom are independent non-executive Directors.

Reporting to the Board, the Remuneration Committee has been established to review the Company's hiring policy and remunerations of the Company's Directors and senior managers. Full terms of reference are available on the Company's website (www.singamas.com).

The following is a summary of the work of the Remuneration Committee during the year under review:

1. reviewed and made recommendations to the Board on the Company's hiring policy;

2. started a program in reviewing the remuneration of the Company's Directors and senior managers;

3. reviewed and made recommendations to the Board on the Company's annual performance-based bonus policy; and

4. started a program to investigate the installation of an employees share option scheme.

Details of the remunerations of all Directors are set out in the "Directors' and Five Highest Paid Individuals' Emoluments" section under the notes to the Financial Statements on pages 88 to 89.

The Remuneration Committee meets at least once a year. During the year under review, a total of one meeting was convened and held and the attendance record is 100 per cent.

Members of the Remuneration Committee
Ngan Man-Kit, Alexander *(Chairman)*
Kuan Kim Kin
Ong Ka Thai

Hong Kong, 20th March, 2006

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 52 to 120 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 Hong Kong Standards on Auditing 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, 2005 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
20th March, 2006

Consolidated Income Statement

For the year ended 31st December, 2005

	Notes	2005 US$'000	2004 (restated) US$'000
Revenue	7	**842,936**	532,793
Other income		**1,257**	2,084
Changes in inventories of finished goods and work in progress		**(127,544)**	76,684
Raw materials and consumables used		**(547,779)**	(475,039)
Staff costs		**(36,640)**	(24,814)
Depreciation and amortisation expense		**(10,409)**	(8,237)
Other expenses		**(64,417)**	(70,933)
Profit from operations		**57,404**	32,538
Finance costs	9	**(9,330)**	(5,193)
Investment income	10	**1,186**	1,221
Share of results of associates		**1,208**	1,065
Share of results of jointly controlled entities		**9,683**	20,828
Profit before taxation	11	**60,151**	50,459
Income tax expense	14	**(6,146)**	(3,116)
Profit for the year		**54,005**	47,343
Attributable to:			
Equity holders of the Company		**44,899**	39,636
Minority interests		**9,106**	7,707
		54,005	47,343
Earnings per share – basic	16	**US7.35 cents**	US7.37 cents

Consolidated Balance Sheet

As at 31st December, 2005

	Notes	2005 US$'000	2004 (restated) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	99,557	68,983
Patents	18	850	1,020
Goodwill	19	1,691	880
Interests in associates	22	5,419	4,063
Interests in jointly controlled entities	23	37,427	55,516
Investment in securities	24	–	1,614
Available-for-sale investments	25	1,614	–
Prepaid lease payments	27	46,857	21,427
Deferred tax assets	36	243	209
Other assets	28	452	879
		194,110	154,591
Current assets			
Inventories	29	115,518	181,134
Trade receivables	30	65,133	54,280
Prepayments and other receivables		31,395	66,876
Amounts due from fellow subsidiaries		256	146
Amounts due from associates		376	23
Amounts due from jointly controlled entities		840	14,694
Amount due from a related company	32	1,072	290
Tax recoverable		64	1,246
Derivative financial instruments	26	67	–
Prepaid lease payments	27	1,042	368
Pledged deposit	37	–	6,790
Bank balances and cash		102,604	62,676
		318,367	388,523
Total assets		512,477	543,114

Consolidated Balance Sheet (Continued)

As at 31st December, 2005

	Notes	2005 US$'000	2004 (restated) US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	33	**7,844**	7,844
Share premium		**98,011**	98,011
Accumulated profits		**100,211**	67,745
Other reserves		**9,648**	7,137
Equity attributable to equity holders of the Company		**215,714**	180,737
Minority interests		**39,252**	33,775
Total equity		**254,966**	214,512
Non-current liability			
Bank borrowings	35	**110,387**	40,350
Current liabilities			
Trade payables	31	**41,784**	66,974
Accruals and other payables		**40,311**	51,362
Bills payable		**13,011**	97,278
Amount due to ultimate holding company		**880**	1,461
Amounts due to associates		**837**	270
Amounts due to jointly controlled entities		**80**	43
Bank borrowings	35	**48,015**	68,087
Tax payable		**2,206**	2,777
		147,124	288,252
Total liabilities		**257,511**	328,602
Total equity and liabilities		**512,477**	543,114

The consolidated financial statements on pages 52 to 120 were approved and authorised for issue by the Board of Directors on 20th March, 2006 and are signed on its behalf by:

Teo Siong Seng
Director

Teo Tiou Seng
Director

As at 31st December, 2005

	Notes	2005 US$'000	2004 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**4,808**	263
Interests in subsidiaries	*20*	**125,573**	62,347
Interests in associates	*22*	**9,957**	8,757
Interests in jointly controlled entities	*23*	**14,952**	20,839
Investment in securities	*24*	**–**	611
Available-for-sale investments	*25*	**611**	–
		155,901	92,817
Current assets			
Prepayments and other receivables		**1,673**	1,760
Amounts due from subsidiaries	*21*	**78,886**	97,812
Amounts due from a fellow subsidiary		**1**	–
Amounts due from associates		**3,307**	1,783
Amounts due from jointly controlled entities		**948**	3,736
Derivative financial instruments	*26*	**67**	–
Bank balances and cash		**31,010**	17,223
		115,892	122,314
Total assets		**271,793**	215,131

Balance Sheet (Continued)

As at 31st December, 2005

	Notes	2005 US$'000	2004 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	33	7,844	7,844
Share premium	34	98,011	98,011
Accumulated profits	34	8,390	9,593
		114,245	115,448
Non-current liability			
Bank borrowings	35	108,900	38,900
Current liabilities			
Accruals and other payables		15,931	17,519
Bills payable		1,210	6,858
Amounts due to subsidiaries	21	22,831	19,556
Amount due to ultimate holding company		880	1,461
Amounts due to associates		296	270
Bank borrowings	35	7,500	15,119
		48,648	60,783
Total liabilities		157,548	99,683
Total equity and liabilities		271,793	215,131

Teo Siong Seng
Director

Teo Tiou Seng
Director

Consolidated Statement Of Changes In Equity

For the year ended 31st December, 2005

	Share capital US$'000	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Accumulated profits US$'000	Attributable to equity holders of the Company US$'000	Minority interests US$'000	Total US$'000
At 1st January, 2004	6,706	55,735	351	2,509	1,449	37,628	104,378	49,241	153,619
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	9	–	–	–	9	–	9
Profit for the year	–	–	–	–	–	39,636	39,636	7,707	47,343
Total recognised income for the year	–	–	9	–	–	39,636	39,645	7,707	47,352
Issue of ordinary shares on placing	1,138	43,612	–	–	–	–	44,750	–	44,750
Share issue expenses	–	(1,336)	–	–	–	–	(1,336)	–	(1,336)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(8,770)	(8,770)
Disposal of a subsidiary	–	–	–	–	–	–	–	(1,778)	(1,778)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(12,625)	(12,625)
Dividend paid to equity holders of the Company	–	–	–	–	–	(6,700)	(6,700)	–	(6,700)
Transfer from accumulated profits	–	–	–	2,514	305	(2,819)	–	–	–
At 31st December, 2004	7,844	98,011	360	5,023	1,754	67,745	180,737	33,775	214,512
Attributable to:									
- The Company and subsidiaries	7,844	98,011	243	4,322	1,555	43,895	155,870	33,775	189,645
- Associates	–	–	116	481	20	1,559	2,176	–	2,176
- Jointly controlled entities	–	–	1	220	179	22,291	22,691	–	22,691
At 1st January, 2005 as originally stated	7,844	98,011	360	5,023	1,754	67,745	180,737	33,775	214,512
Effect of changes in accounting policies *(notes 2 and 3)*	–	–	–	–	–	5,764	5,764	–	5,764
At 1st January, 2005 as restated	7,844	98,011	360	5,023	1,754	73,509	186,501	33,775	220,276
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	800	–	–	–	800	288	1,088
Profit for the year	–	–	–	–	–	44,899	44,899	9,106	54,005
Total recognised income for the year	–	–	800	–	–	44,899	45,699	9,394	55,093
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(845)	(845)
Consolidation of a former jointly controlled entity	–	–	–	–	–	–	–	984	984
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(4,056)	(4,056)
Dividend paid to equity holders of the Company	–	–	–	–	–	(16,486)	(16,486)	–	(16,486)
Transfer from accumulated profits	–	–	–	1,394	317	(1,711)	–	–	–
At 31st December, 2005	7,844	98,011	1,160	6,417	2,071	100,211	215,714	39,252	254,966
Attributable to:									
- The Company and subsidiaries	7,844	98,011	728	5,563	1,733	65,762	179,641	39,252	218,893
- Associates	–	–	166	493	20	2,755	3,434	–	3,434
- Jointly controlled entities	–	–	266	361	318	31,694	32,639	–	32,639
	7,844	98,011	1,160	6,417	2,071	100,211	215,714	39,252	254,966

Pursuant to the relevant PRC regulations applicable to the Group's PRC subsidiaries, associates and jointly controlled entities, these entities have to provide for the PRC statutory reserves before declaring dividends to their shareholders as approved by the board of directors. The reserves, which include general reserve and development reserve, are not distributable until the end of the operation periods of the respective entities, at which time any remaining balance of the reserves can be distributed to shareholders upon liquidation of the subsidiaries, associates and jointly controlled entities. The general reserve can be used to offset accumulated losses of the entities. The general reserve and development reserve can be used to increase capital upon approval from the PRC relevant authorities. The distributable profits of the subsidiaries, associates and jointly controlled entities are determined based on their accumulated profits calculated in accordance with the PRC accounting rules and regulations.

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	2005 US$'000	2004 (restated) US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**60,151**	50,459
Adjustments for:		
Depreciation	**8,652**	6,947
Loss on disposal of property, plant and equipment	**271**	148
Gain on disposal of a subsidiary	**–**	(168)
Share of results of associates	**(1,208)**	(1,065)
Share of results of jointly controlled entities	**(9,683)**	(20,828)
Amortisation of patents	**170**	206
Amortisation of prepaid lease payments	**793**	361
Amortisation of other assets	**794**	483
Amortisation of goodwill	**–**	240
Allowance for write-down of inventories	**7,354**	–
Allowance for bad and doubtful debts	**2,515**	–
Increase in derivative financial instruments	**(67)**	–
Impairment of goodwill	**880**	–
Investment income	**(1,186)**	(1,221)
Interest expense	**8,373**	4,372
Operating cash flows before movements in working capital	**77,809**	39,934
Decrease (increase) in inventories	**135,324**	(99,621)
Decrease in trade receivables	**17,583**	28,558
Decrease in prepayments and other receivables	**61,039**	15,852
(Increase) decrease in amounts due from fellow subsidiaries	**(110)**	82
Increase in amounts due from associates	**(353)**	(184)
Decrease (increase) in amounts due from jointly controlled entities	**13,854**	(5,738)
(Increase) decrease in amount due from a related company	**(782)**	750
(Decrease) increase in trade payables	**(56,708)**	16,551
(Decrease) increase in accruals and other payables	**(31,046)**	12,767
(Decrease) increase in bills payable	**(99,856)**	35,445
(Decrease) increase in amount due to ultimate holding company	**(581)**	1,274
Increase in amounts due to associates	**567**	250
Decrease in amounts due to jointly controlled entities	**(16,060)**	(34)
Cash generated from operations	**100,680**	45,886
Interest paid	**(8,373)**	(4,372)
Income tax paid	**(5,646)**	(2,092)
Net cash from operating activities	**86,661**	39,422

Consolidated Cash Flow Statement (Continued)

For the year ended 31st December, 2005

	Note	2005 US$'000	2004 (restated) US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase of property, plant and equipment		**(22,119)**	(9,487)
Decrease (increase) in pledged deposit		**6,790**	(6,790)
Increase in prepaid lease payments		**(24,267)**	(6,484)
Additions to other assets		**(217)**	(510)
Increase in investment in associates		**(1,200)**	(213)
Increase in investment in jointly controlled entities		**(14,473)**	(5,000)
Proceeds on disposal of property, plant and equipment		**976**	78
Increase in interest in subsidiaries		**(845)**	(8,770)
Disposal of a subsidiary		**–**	(1,413)
Cash inflow arising on consolidation of former jointly controlled entities	*41*	**19,533**	–
Dividends received from associates and jointly controlled entities		**6,375**	1,975
Interest received		**1,030**	1,221
Dividend income from unlisted equity investment		**156**	–
Net cash used in investing activities		**(28,261)**	(35,393)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**360,126**	140,238
Repayment of bank loans		**(358,027)**	(150,158)
Dividends paid to minority shareholders		**(4,056)**	(12,625)
Dividends paid to equity holders of the Company		**(16,486)**	(6,700)
Proceeds from issue of shares, net of expenses		**–**	43,414
Net cash (used in) from financing activities		**(18,443)**	14,169
NET INCREASE IN CASH AND CASH EQUIVALENTS		**39,957**	18,198
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**62,676**	44,485
Effect of foreign exchange rate changes		**(29)**	(7)
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		**102,604**	62,676
BALANCE OF CASH AND CASH EQUIVALENTS REPRESENTED BY:			
Bank balances and cash		**102,604**	62,676

1 GENERAL

The Company is a listed public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("HKEx"). Its ultimate and immediate holding company is Pacific International Lines (Private) Limited ("PIL"), a company incorporated in the Republic of Singapore. The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information of the annual report. The Group is principally engaged in the businesses of container manufacturing, container depot/terminal and mid-stream operations.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1st January, 2005. The application of these new and revised Standards and Interpretations has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of taxation of associates/jointly controlled entities has been changed. The changes in presentation have been applied retrospectively.

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

– business combinations (Hong Kong Financial Reporting Standards ("HKFRS") 3);
– financial instruments (Hong Kong Accounting Standards ("HKAS") 32 and HKAS 39); and
– leases (HKAS 17).

The impact of these changes in accounting policies is discussed below.

HKFRS 3 Business Combinations

Goodwill

HKFRS 3 *Business Combinations* is effective for business combinations for which the agreement date is on or after 1st January, 2005. The option of limited retrospective application of HKFRS 3 has not been taken up, thus avoiding the need to restate past business combinations.

After initial recognition, HKFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under HKAS 36 *Impairment of Assets*, impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. HKFRS 3 prohibits the amortisation of goodwill.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 3 Business Combinations (Continued)

Goodwill (Continued)

In previous years, in accordance with the predecessor standard, Statement of Standard Accounting Practice ("SSAP") 30 *Business Combinations*, goodwill arising on acquisitions prior to 1st January, 2001 had been directly written-off against accumulated profits, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional rules in HKFRS 3. With respect to goodwill previously capitalised on the consolidated balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment in accordance with HKAS 36. At 1st January, 2005, the carrying amount of amortisation accumulated before that date of US$320,000 has been eliminated, with a corresponding decrease in the cost of goodwill (see note 19).

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

No amortisation has been charged in 2005. The charge in 2004 was US$240,000.

An impairment loss of US$880,000 has been recognised in the current year in accordance with HKAS 36. Had the Group's previous accounting policy been applied in the current year, this amount would have been split between an amortisation charge of US$240,000 and an impairment loss of US$640,000. The change in accounting policy has had no impact on the profit for the year although it has resulted in a re-analysis between amortisation charge and impairment losses recognised.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

HKFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in profit or loss. HKFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

Previously, under SSAP 30, the Group released negative goodwill to income over a number of accounting periods, based on an analysis of the circumstances from which the balance resulted. Negative goodwill was reported as a deduction from assets in the consolidated balance sheet.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 3 Business Combinations (Continued)

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill) (Continued)

In accordance with the transitional rules of HKFRS 3, the Group has applied the revised accounting policy prospectively from 1st January, 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.

The carrying amount of discount on acquisition of interests in jointly controlled entities at 1st January, 2005 has been derecognised at the transition date. Therefore, an adjustment of US$5,764,000 is made to opening accumulated profits and interests in jointly controlled entities at 1st January, 2005.

Under the previous accounting policy, US$1,922,000 of discount on acquisition of interests in jointly controlled entities would have been released to income during 2005, leaving a balance of discount on acquisition of interests in jointly controlled entities of US$3,842,000 at 31st December, 2005. Therefore, the impact of the change in accounting policy in 2005 is a reduction in share of results of jointly controlled entities of US$1,922,000 and an increase in net assets at 31st December, 2005 of US$3,842,000.

HKAS 32 Financial Instruments: Disclosure and Presentation & HKAS 39 Financial Instruments: Recognition and Measurement

HKAS 32 *Financial Instruments: Disclosure and Presentation* requires retrospective application and primarily addresses the classification of a financial instrument issued by an entity and prescribes disclosure requirements of financial instruments. HKAS 39 *Financial Instruments: Recognition and Measurement* deals with recognition, measurement, derecognition of financial instruments and also prescribes requirements for hedge accounting. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects of the adoption of the requirements of HKAS 32 and HKAS 39 are summarised below:

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 32 Financial Instruments: Disclosure and Presentation & HKAS 39 Financial Instruments: Recognition and Measurement (Continued)

Investment securities

By 31st December, 2004, the Group classifed its equity securities in accordance with the benchmark treatment of SSAP 24 *Accounting for Investments in Securities*. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments", as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. In accordance with HKAS 39, investments in equity securities are classified as either financial assets at fair value through profit or loss or as available-for-sale, and are measured at subsequent reporting dates at fair value. Changes in fair values of financial assets at fair value through profit or loss are recognised in profit or loss as they arise while changes in fair values of available-for-sale investments are generally recognised in equity. The Group has applied the transitional rules in HKAS 39. At 1st January, 2005, the Group reclassified its investment securities with a carrying amount of US$1,614,000 to available-for-sale investments. The investments continue to be measured at cost less impairment losses as they constitute unquoted equity investments whose fair value cannot be reliably measured.

Derivatives

HKAS 39 requires derivative financial instruments that are within the scope of HKAS 39 to be carried at fair value at each balance sheet date, regardless of whether they are designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from non-derivative host contracts) are deemed as held for trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments for changes in fair values would depend on whether the derivative financial instruments are designated as effective hedging instruments, and if so, the nature of the item being hedged. Derivative financial instruments that do not qualify for hedge accounting are deemed as investments held for trading. Changes in fair value of such derivative financial instruments are recognised in profit or loss as they arise.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 17 Leases

Owner-occupied leasehold land

The Group has leasehold land interests in Hong Kong and land use rights in the People's Republic of China other than Hong Kong and Taiwan ("the PRC"), with self-constructed buildings erected on them for manufacturing purposes. In previous years, these property interests were included in property, plant and equipment accounted for using the cost model. In accordance with HKAS 17 these leasehold interests are classified as prepaid lease payments under operating lease, and are carried at cost and amortised over the lease term on a straight-line basis. In the absence of any transitional rules in HKAS 17, the change in accounting policy has been applied retrospectively. Where the allocation between land and building elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

At 1st January, 2004, the carrying amount of these leasehold interests was US$16,842,000.

For 2004, the amortisation charge of these leasehold interests amounted to US$361,000 (included in depreciation and amortisation expense). At 31st December, 2004, these leasehold interests amounted to US$21,795,000 was presented separately in the consolidated balance sheet as prepaid lease payments.

For 2005, the amortisation charge of these leasehold interests amounted to US$793,000 (included in depreciation and amortisation expense). At 31st December, 2005, these leasehold interests amounted to US$47,899,000 was presented separately in the consolidated balance sheet as prepaid lease payments.

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior years are as follows:

	Year ended 31st December,	
	2005	2004
	US$'000	US$'000
Decrease in amortisation of goodwill on acquisition of additional equity interest of a subsidiary	**240**	–
Decrease in amortisation of premium on acquisition of interests in jointly controlled entities	**615**	–
Decrease in amortisation of discount on acquisition of interests in jointly controlled entities	**(1,922)**	–
Gains arising from changes in fair value of interest rate swap	**67**	–
Decrease in profit for the year	**(1,000)**	–

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The cumulative effects of the application of the new and revised Standards and Interpretations as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (Originally stated)	Effect of HKAS 1	Effect of HKAS 17	As at 31st December, 2004 (Restated)	Effect of HKFRS 3	Effect of HKAS 39	As at 1st January, 2005 (Restated)
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance sheet items							
Property, plant & equipment	90,778	–	(21,795)	68,983	–	–	68,983
Prepaid lease payments	–	–	21,795	21,795	–	–	21,795
Interests in jointly controlled entities	55,516	–	–	55,516	5,764	–	61,280
Investment in securities	1,614	–	–	1,614	–	(1,614)	–
Available-for-sale investments	–	–	–	–	–	1,614	1,614
Total effects on assets and liabilities	147,908	–	–	147,908	5,764	–	153,672
Accumulated profits	67,745	–	–	67,745	5,764	–	73,509
Minority interests	–	33,775	–	33,775	–	–	33,775
Total effects on equity	67,745	33,775	–	101,520	5,764	–	107,284
Minority interests	33,775	(33,775)	–	–	–	–	–
	33,775	(33,775)	–	–	–	–	–

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

At the date of approval of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures [2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation [2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions [2]
HKAS 39 (Amendment)	The Fair Value Option [2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts [2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HK(IFRIC) – Int 4	Determining Whether an Arrangement contains a Lease [2]
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [2]
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment [3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2006
[3] Effective for annual periods beginning on or after 1st December, 2005
[4] Effective for annual periods beginning on or after 1st March, 2006

The Group is in the process of determining whether these new and revised Standards and Interpretations will have any material impact on the financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKEx and by the Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out below.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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.

Minority interests in the net assets of consolidated subsidaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investments.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

(f) Goodwill

Capitalised goodwill arising on acquisitions prior to 1st January, 2005

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on the acquisition of a subsidiary, an associate or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

(g) Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity over the cost of the business combination is recognised immediately in profit or loss instead of the balance sheet.

(h) 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. 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**
Leasehold land and buildings and site improvements outside Hong Kong		
– on medium term lease	20 to 50 years	Nil to 10 per cent.
– on short lease	5 years	Nil
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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

Assets under construction are stated at cost less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences where the assets are ready for their intermediate use.

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.

(i) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, comprises direct materials, and where applicable, direct labour, and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is calculated using weighted average method. Net realisable value represents the estimated selling price less estimated cost of completion and costs to be incurred in marketing, selling and distribution.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 purchase cost and are amortised on a straight-line basis over their estimated useful lives of 10 years.

(l) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet and the Company's balance sheet when the Group and the Company become a party to the contractual provisions of the instrument.

Trade receivables, other receivables, amounts due from fellow subsidiaries, associates, jointly controlled entities and a related company and pledged deposit

Trade receivables, other receivables, amounts due from fellow subsidiaries, associates, jointly controlled entities and a related company and pledged deposit are measured at fair value on initial recognition and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments in unquoted equity investment whose fair value cannot be reliably determined are classified as available-for-sale investment and are measured at cost less impairment loss. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade payables, accruals and other payables, bills payable, amounts due to ultimate holding company, associates and jointly controlled entities

Trade payables, accruals and other payables, bills payable, amounts due to ultimate holding company, associates and jointly controlled entities are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise as they do not qualify for hedge accounting.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business less returns and allowances.

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, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(n) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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.

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 assets 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States dollars ("US$"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements and the income statement.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange difference arising on the settlement of monetary items, and on retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations including comparatives are expressed in US$ using exchange rate prevailing on the balance sheet date. Income and expense items including comparatives are translated at monthly average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Retirement benefit costs

In respect of the subsidiaries in the PRC, the Group contributes to State-sponsored retirement benefit schemes operated by the PRC government. Contribution payable by the Group to the schemes 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.

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

(r) Borrowing costs

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

5 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the years in which such estimate has been changed.

Estimated allowance for write-down of inventories to net realisable value

The Group makes allowance for write-down of inventories based on assessment of the net realisable value of existing inventories. Allowance is made if there is an indication that the net realisable value of inventories are lower than the cost. Calculation of net realisable value requires the use of judgement and estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31st December, 2005 was US$1,691,000 after an impairment loss of US$880,000 was recognised during 2005. Details of the impairment loss calculation are provided in note 19.

Recognition of deferred tax asset in respect of unused tax losses

At the balance sheet date, the Group has unused tax losses of US$18,496,000 (2004: US$14,760,000) available for offset against future profits. No deferred tax asset has been recognised in the financial statements in respect of the unused tax losses. The recognition of deferred tax asset in respect of unused tax losses requires the use of judgement and estimates on future profit streams of the Group.

6 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial risk is mainly associated with its floating rate bank borrowings and trade receivables.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to floating rate borrowings. In order to minimise the interest rate risk, the Company has entered into an interest rate swap to hedge against the floating rate interest risk for a term loan granted for the financing of various business acquisitions of the Company.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure the adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits and derivative financial instruments is limited because the counterparties are banks or financial institutions with high credit-rating assigned by international credit-rating agencies or state-owned banks in the PRC.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

7 REVENUE

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

	2005 US$'000	2004 US$'000
Container manufacturing	809,166	498,228
Container depot/terminal	18,501	14,945
Mid-stream	15,269	19,620
	842,936	532,793

8 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purpose, 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, 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.

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these businesses is presented below.

2005

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
REVENUE					
External sales	**809,166**	**18,501**	**15,269**	**–**	**842,936**
Inter-segment sales	**–**	**3,647**	**54**	**(3,701)**	**–**
Total	**809,166**	**22,148**	**15,323**	**(3,701)**	**842,936**

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
SEGMENT RESULTS	**48,572**	**5,604**	**3,228**		**57,404**
Finance costs					**(9,330)**
Investment income					**1,186**
Share of results of associates	**18**	**1,190**	**–**		**1,208**
Share of results of jointly controlled entities	**8,732**	**951**	**–**		**9,683**
Profit before taxation					**60,151**
Income tax expense	**(5,500)**	**(373)**	**(273)**		**(6,146)**
Profit for the year					**54,005**

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2005 (Continued)

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
OTHER INFORMATION				
Capital expenditure	**40,646**	**5,708**	**32**	**46,386**
Depreciation and amortisation	**7,554**	**2,833**	**22**	**10,409**
Impairment of goodwill	**880**	**–**	**–**	**880**
Allowance for write-down of inventories	**7,354**	**–**	**–**	**7,354**
Allowance for bad and doubtful debts	**2,515**	**–**	**–**	**2,515**
BALANCE SHEET				
ASSETS				
Segment assets	**406,953**	**57,379**	**4,992**	**469,324**
Interests in associates	**1,441**	**3,978**	**–**	**5,419**
Interests in jointly controlled entities	**26,451**	**10,976**	**–**	**37,427**
Unallocated assets				**307**
Consolidated total assets				**512,477**
LIABILITIES				
Segment liabilities	**88,734**	**6,296**	**1,873**	**96,903**
Unallocated liabilities				**160,608**
Consolidated total liabilities				**257,511**

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2004

	Container manufacturing	Container depot/terminal	Mid-stream	Eliminations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
REVENUE					
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	Container depot/terminal	Mid-stream	Eliminations	Total
SEGMENT RESULTS	24,204	5,190	3,144		32,538
Finance costs					(5,193)
Investment income					1,221
Share of results of associates	(17)	1,082	–		1,065
Share of results of jointly controlled entities	19,975	853	–		20,828
Profit before taxation					50,459
Income tax expense	(2,555)	(264)	(297)		(3,116)
Profit for the year					47,343

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2004 (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

The Group's total assets less current liabilities and the Group's net current assets as at 31st December, 2005 amounted to US$365,353,000 (2004: US$254,862,000) and US$171,243,000 (2004: US$100,271,000) respectively.

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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 revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue	
	2005	2004
	US$'000	US$'000
Europe	**289,122**	155,210
United States	**181,071**	87,779
Hong Kong	**167,704**	135,819
PRC	**84,404**	38,530
Korea	**39,767**	2,213
Taiwan	**26,978**	33,386
Others	**53,890**	79,856
	842,936	532,793

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, prepaid lease payments 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, prepaid lease payments and intangible assets	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
PRC	**398,886**	420,026	**41,502**	15,857
Hong Kong	**55,500**	47,069	**4,799**	31
Others	**14,938**	14,985	**85**	83
	469,324	482,080	**46,386**	15,971

9 FINANCE COSTS

	2005 US$'000	2004 US$'000
Interest on bank loans and overdrafts wholly repayable within five years	**8,373**	4,372
Bank charges	**957**	821
	9,330	5,193

10 INVESTMENT INCOME

	2005 US$'000	2004 US$'000
Interest earned on bank deposits	**1,030**	1,221
Dividend income from unlisted equity investment	**156**	–
	1,186	1,221

11 PROFIT BEFORE TAXATION

	2005 US$'000	2004 US$'000
Profit before taxation has been arrived at after charging (crediting) the following:		
Auditors' remuneration	320	329
Staff costs, including directors' emoluments		
– Salaries and other benefits	35,006	22,863
– Retirement benefit costs *(note 13)*	1,634	1,951
	36,640	24,814
Depreciation and amortisation		
Depreciation of property, plant and equipment	8,652	6,947
Amortisation		
– Patents	170	206
– Goodwill	–	240
– Other assets	794	483
– Prepaid lease payments in respect of leasehold land	793	361
	10,409	8,237
Operating lease charges		
– Land and buildings	2,090	1,807
– Plant and machinery	76	114
	2,166	1,921
Share of taxation of associates	245	220
Share of taxation of jointly controlled entities	1,070	1,009
	1,315	1,229
Impairment of goodwill (included in other expenses)	880	–
Allowance for bad and doubtful debts	2,515	–
Cost of inventories recognised as expense (including allowance for write-down of inventories of US$7,354,000 (2004: nil))	746,134	466,230
Gain on disposal of a subsidiary	–	(168)
Loss on disposal of property, plant and equipment	271	148
Net foreign exchange loss	672	29

12 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2004: 9) directors were as follows:

2005

	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$'000	Total US$'000
Fees	39	26	23	23	23	28	26	28	26	242
Other emoluments										
Salaries and other benefits	–	275	184	97	29	–	–	–	–	585
Contributions to retirement benefits scheme	–	13	–	–	2	–	–	–	–	15
Performance related incentive payments *(note)*	–	1,122	15	9	–	–	–	–	–	1,146
	39	1,436	222	129	54	28	26	28	26	1,988

2004

	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$'000	Total US$'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

Note: The performance related incentive payments are determined as a percentage of the net profit of the Group for the respective years.

12 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

The above analysis includes 3 (2004: 3) 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:–

	2005	2004
	US$'000	US$'000
Salaries and other benefits	**283**	268
Retirement benefit costs	**13**	13
	296	281

Their emoluments were within the following band:

	2005 Number of individuals	2004 Number of individuals
US$128,574 – US$192,859 (HK$1,000,001 – HK$1,500,000)	**2**	2

13 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 scheme for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme 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 State-sponsored retirement benefit schemes operated by the government in the PRC. Subsidiaries are required to contribute a certain percentage of relevant payroll to the retirement benefit schemes. Obligations under the scheme are borne by the PRC Government.

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 schemes in the PRC and the retirement benefits provided for the employees of a subsidiary in Indonesia amounted to US$1,634,000 (2004: US$1,951,000). At the balance sheet date, contributions payable to the retirement schemes totalling US$129,000 (2004: US$613,000) and retirement benefit provision made for the local employees in Indonesia totalling US$892,000 (2004: US$908,000) are included in accruals and other payables.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of US$nil (2004: US$10,000) 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.

14 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided for at the rate of 17.5 per cent. (2004: 17.5 per cent.) of 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.

	2005 US$'000	2004 US$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	295	318
Overseas taxation		
– Current year	6,190	2,849
– Prior year overprovision	(305)	(74)
	6,180	3,093
Deferred tax:		
Current year (credit) charge	(34)	23
Income tax expense for the year	6,146	3,116

14 INCOME TAX EXPENSES (Continued)

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

	2005		2004	
	US$'000	%	US$'000	%
Profit before taxation	60,151		50,459	
Tax at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	10,526	17.5	8,830	17.50
Tax effect of share of results of associates	(211)	(0.35)	(186)	(0.37)
Tax effect of share of results of jointly controlled entities	(1,695)	(2.82)	(3,645)	(7.22)
Tax effect of expenses that are not deductible in determining taxable profit	874	1.45	815	1.62
Tax effect of income that is not taxable in determining taxable profit	(795)	(1.32)	(614)	(1.22)
Tax effect on tax losses arising in the current year not recognised	671	1.12	596	1.18
Tax effect of utilisation of tax losses not previously recognised	(162)	(0.27)	–	–
Overprovision in prior years	(305)	(0.51)	(74)	(0.15)
Tax effect on reduction of tax rate as a temporary relief	(2,163)	(3.60)	(1,149)	(2.28)
Effect of different tax rates of subsidiaries, operating in other jurisdictions	(569)	(0.94)	(1,450)	(2.87)
Others	(25)	(0.04)	(7)	(0.01)
	6,146	10.22	3,116	6.18

15 DIVIDEND

	2005 US$'000	2004 US$'000
Interim paid:		
HK9 cents (2004: HK4 cents) per ordinary share	7,071	2,679
Final proposed:		
HK9 cents (2004: HK12 cents) per ordinary share	7,095	9,431
	14,166	12,110

The final dividend of HK9 cents (2004: HK12 cents) per share, totalling US$7,095,000 (2004: US$9,431,000), has been proposed by the Directors based on shares in issue and is subject to approval by the shareholders in general meeting.

16 EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2005 US$'000	2004 US$'000
Earnings:		
Earnings for the purposes of calculating earnings per share	44,899	39,636
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating earnings per share	611,228,760	537,947,552

There were no potential dilutive shares throughout the both years presented.

17 PROPERTY, PLANT AND EQUIPMENT

Group	Assets under construction US$'000	Freehold land US$'000	Leasehold 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, as originally stated	5,374	3,283	54,117	50,421	4,899	5,490	123,584
Effect of changes in accounting policies	–	–	(17,473)	–	–	–	(17,473)
As restated	5,374	3,283	36,644	50,421	4,899	5,490	106,111
Additions	5,334	–	1,415	2,067	148	523	9,487
Disposals	–	–	(23)	(409)	(375)	(1,487)	(2,294)
Eliminated on disposal of a subsidiary	(5)	–	(1,622)	(2,157)	(186)	(147)	(4,117)
Transfer from assets under construction	(6,694)	–	5,461	893	39	301	–
Translation differences	–	–	(2)	(1)	(1)	(1)	(5)
At 31st December, 2004	4,009	3,283	41,873	50,814	4,524	4,679	109,182
Additions	12,344	–	6,628	1,878	690	579	22,119
Disposals	–	–	(1,720)	(565)	(199)	(785)	(3,269)
On consolidation of former jointly controlled entities *(note 41)*	4,252	–	9,009	23,038	404	1,723	38,426
Transfer from assets under construction	(3,458)	–	838	2,070	61	489	–
Translation differences	91	–	306	225	27	16	665
At 31st December, 2005	17,238	3,283	56,934	77,460	5,507	6,701	167,123
Accumulated depreciation							
At 1st January, 2004, as originally stated	–	–	9,389	21,590	3,582	3,138	37,699
Effect of changes in accounting policies	–	–	(631)	–	–	–	(631)
As restated	–	–	8,758	21,590	3,582	3,138	37,068
Charge for the year	–	–	1,673	4,328	341	605	6,947
Eliminated on disposals	–	–	(23)	(366)	(339)	(1,340)	(2,068)
Eliminated on disposal of a subsidiary	–	–	(528)	(991)	(118)	(106)	(1,743)
Translation differences	–	–	(2)	(2)	(1)	–	(5)
At 31st December, 2004	–	–	9,878	24,559	3,465	2,297	40,199
Charge for the year	–	–	2,142	5,334	428	748	8,652
Eliminated on disposals	–	–	(705)	(483)	(132)	(702)	(2,022)
On consolidation of former jointly controlled entities *(note 41)*	–	–	3,106	16,291	204	992	20,593
Translation differences	–	–	50	73	13	8	144
At 31st December, 2005	–	–	14,471	45,774	3,978	3,343	67,566
Net book value							
At 31st December, 2005	17,238	3,283	42,463	31,686	1,529	3,358	99,557
At 31st December, 2004	4,009	3,283	31,995	26,255	1,059	2,382	68,983

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

Plant and machinery with an aggregate net book value of US$708,000 as at 31st December, 2005 (2004: US$720,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2005 was US$nil (2004: US$3,262,000).

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

	Freehold land	Leasehold land and buildings	Site improvements	Total
	US$'000	US$'000	US$'000	US$'000
Group				
At 31st December, 2005				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	12	12
On medium term lease (10 to 50 years)	–	–	–	–
Held outside Hong Kong				
On medium term lease (20 to 50 years)	3,283	6,039	36,412	45,734
	3,283	6,039	36,424	45,746
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)	–	–	–	–
Held outside Hong Kong				
On medium term lease (20 to 50 years)	3,283	1,987	29,990	35,260
	3,283	1,987	30,008	35,278

Land and buildings together with the prepaid lease payments (note 27) held outside Hong Kong with net book value of US$4,123,000 (2004: US$4,443,000) and US$1,231,000 (2004: US$1,263,000) respectively as at 31st December, 2005 were pledged as security for loan facilities granted by banks to subsidiaries in the PRC.

The amount of facilities utilised as at 31st December, 2005 was US$4,000,000 (2004: US$2,000,000).

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings	Furniture, fittings and office equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000
Company				
Cost				
At 1st January, 2004	–	1,022	246	1,268
Additions	–	23	–	23
Disposals	–	(4)	–	(4)
At 31st December, 2004	–	1,041	246	1,287
Additions	4,287	484	–	4,771
Eliminated on disposals	–	(86)	–	(86)
At 31st December, 2005	4,287	1,439	246	5,972
Accumulated depreciation				
At 1st January, 2004	–	835	79	914
Charge for the year	–	70	44	114
Disposals	–	(4)	–	(4)
At 31st December, 2004	–	901	123	1,024
Charge for the year	56	133	37	226
Eliminated on disposals	–	(86)	–	(86)
At 31st December, 2005	56	948	160	1,164
Net book value				
At 31st December, 2005	4,231	491	86	4,808
At 31st December, 2004	–	140	123	263

18 PATENTS

Group	US$'000
Cost	
At 1st January, 2004, 31st December, 2004 and 31st December, 2005	3,031
Amortisation	
At 1st January, 2004	1,805
Charge for the year	206
At 31st December, 2004	2,011
Charge for the year	170
At 31st December, 2005	2,181
Net book value	
At 31st December, 2005	850
At 31st December, 2004	1,020

19 GOODWILL

Group	US$'000
Cost	
At 1st January, 2004 and 31st December, 2004	1,200
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(320)
Arising on consolidation of a former jointly controlled entity (transfer from premium on acquisition of a former jointly controlled entity)	1,691
At 31st December, 2005	2,571
Amortisation	
At 1st January, 2004	80
Charge for the year	240
At 31st December, 2004	320
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(320)
At 31st December, 2005	–
Impairment	
Impairment loss recognised in the year ended 31st December, 2005 and balance at 31st December, 2005	880
Net book value	
At 31st December, 2005	1,691
At 31st December, 2004	880

Goodwill acquired in a business combination is allocated, at acquisition, to two container manufacturing factories that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

19 GOODWILL (Continued)

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 2 per cent.. The rate used to discount the forecast cash flows is 7 per cent..

At 31st December, 2005, before impairment testing, goodwill of US$880,000 was allocated to the manufacturing of refrigerated containers business. Due to the decrease in the expected future cash inflow from the relevant business, the Group has reduced its recoverable amount through recognition of an impairment loss against goodwill of US$880,000.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	US$'000	US$'000
Unlisted shares and investments, at cost	**125,573**	62,347

20 INTERESTS IN SUBSIDIARIES (Continued)

Particulars of principal subsidiaries as at 31st December, 2005 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
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. *	British Virgin Islands	100%	US$1,000	Marketing dry freight containers in the PRC
Guangdong Shun An Da Pacific Container Co., Ltd. * △	PRC	100%	US$18,000,000	Manufacturing of dry freight and specialised containers
Hong Kong Transportation and Machinery Co., Ltd. *	Samoa	100%	US$1,000	Provision of management services in the PRC
Hui Zhou Pacific Container Co., Ltd. * △	PRC	100%	US$31,000,000	Manufacturing of dry freight containers
Ningbo Pacific Container Co., Ltd. * △	PRC	100%	US$10,000,000	Manufacturing of dry freight containers

20 INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share / contributed capital	Principal activities
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 Baoshan Pacific Container Co., Ltd. #	PRC	74%	US$25,300,000	Manufacturing of dry freight containers
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
Singamas Container Holdings Ltd. *	Bahamas	100%	US$7,200,000	Investment holding and marketing of dry freight containers in Indonesia
Singamas Container Industry Co., Ltd. * #	PRC	75%	US$5,100,000	Manufacturing of collapsible flatrack and specialised containers
Singamas Management Services Ltd. *	British Virgin Islands	100%	US$1,000	Provision of management services and marketing containers in the PRC

20 INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share / contributed capital	Principal activities
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) Company Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Tianjin Pacific Container Co., Ltd. * #	PRC	97%	US$25,700,000	Manufacturing of dry freight and specialised containers
Tianjin Singamas Container Co., Ltd. * △	PRC	100%	US$2,000,000	Provision of container storage, repair and trucking services, and serving as a freight station

20 INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share / contributed capital	Principal activities
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.*

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

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.

As a result of certain amendments to the terms of the relevant joint venture agreements, the Group took control over the respective board of directors but without any change in the Group's effective interest in Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") and Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific"), former jointly controlled entities of the Group, Shanghai Baoshan and Tianjin Pacific have become the subsidiaries of the Group since 1st January, 2005 and 1st August, 2005 respectively.

21 AMOUNTS DUE FROM/TO SUBSIDIARIES

Company

The amounts due from subsidiaries are unsecured and repayable on demand. Included in the amounts due from subsidiaries is an amount of approximately US$39,664,000 (2004: US$58,484,000) 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. The Directors consider that the carrying amounts approximate their fair value.

22 INTERESTS IN ASSOCIATES

	Group		Company	
	2005 US$'000	2004 US$'000	2005 US$'000	2004 US$'000
Unlisted shares and investments:				
At cost	4,109	2,909	9,957	8,757
Share of post-acquisition reserves, net of dividend received	1,310	1,154	–	–
	5,419	4,063	9,957	8,757

Particulars of principal associates as at 31st December, 2005 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
Dong Fang International Container (Jin Zhou) Co., Ltd. * #	Incorporated	PRC	20%	16.7%	Manufacturing of dry freight containers
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
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.*

The above list gives the associates of the Group which, in the opinion of the Directors, principally affected the results or form a substantial portion of the net assets of the Group.

22 INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of the Group's associates is set out below:

	2005 US$'000	2004 US$'000
Total assets	**21,366**	17,920
Total liabilities	**(7,500)**	(5,646)
Net assets	**13,866**	12,274
Group's share of associates' net assets	**5,419**	4,063

	2005 US$'000	2004 US$'000
Revenue	**18,120**	14,212
Profit for the year	**3,497**	3,044
Group's share of associates' profit for the year	**1,208**	1,065

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Unlisted shares and investments:				
At cost	24,660	27,836	14,952	20,839
Share of post-acquisition reserves, net of dividend received	12,767	27,680	–	–
	37,427	55,516	14,952	20,839

Premium (discount) arising on acquisition of jointly controlled entities included in cost of investments:

	Group	
	Premium	Discount
	US$'000	US$'000
Cost		
At 1st January, 2004 and 31st December, 2004	2,972	(9,590)
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(1,515)	3,826
Arising on acquisition of additional equity interest of a jointly controlled entity	234	–
Elimination on consolidation of a former jointly controlled entity	(1,691)	–
Derecognised due to the adoption of HKFRS3	–	5,764
At 31st December, 2005	–	–
Amortisation		
At 1st January, 2004	920	(1,904)
Charge (credit) for the year	595	(1,922)
At 31st December, 2004	1,515	(3,826)
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(1,515)	3,826
At 31st December, 2005	–	–
Net book value		
At 31st December, 2005	–	–
At 31st December, 2004	1,457	(5,764)

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Particulars of principal jointly controlled entities which are established in the PRC, except for Singamas North America, Inc., which is incorporated in the United States of America, as at 31st December, 2005 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 and specialised containers
Shanghai Jifa Logistics Co., Ltd. #	25%	22.2%	Provision of container storage, repair and logistics services
Singamas North America, Inc.	50%	50%	Marketing containers in the USA
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.*

The above list gives the jointly controlled entities of the Group which, in the opinion of the Directors, principally affected the results or form a substantial portion of the net assets of the Group.

The voting power of the Group in respective jointly controlled entities is determined by the proportion of the Group's representatives in the board of directors of respective jointly controlled entities. For certain jointly controlled entities, though the Group possesses more than 50% of the voting power, they are subject to joint control of respective joint venture parties in accordance with the terms of the relevant joint venture agreements.

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

	2005 US$'000	2004 US$'000
Total assets	**165,818**	380,692
Total liabilities	**(68,354)**	(264,098)
Net assets	**97,464**	116,594
Group's share of jointly controlled entities' net assets	**37,427**	55,516

	2005 US$'000	2004 US$'000
Revenue	**301,486**	463,572
Profit for the year	**18,289**	31,851
Group's share of jointly controlled entities' profit for the year	**9,683**	20,828

23 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.		Xiamen Pacific Container Manufacturing Co., Ltd.	
	2005 US$'000	2004 US$'000	**2005 US$'000**	2004 US$'000
Revenue	**139,385**	141,051	**77,798**	89,082
Profit from ordinary activities before taxation	**7,289**	12,193	**4,826**	7,330
Profit from ordinary activities before taxation attributable to the Group	**4,009**	6,706	**1,930**	2,932

Financial Position

	2005 US$'000	2004 US$'000	**2005 US$'000**	2004 US$'000
Non-current assets	**14,490**	13,337	**12,221**	12,863
Current assets	**52,517**	89,515	**36,390**	56,533
Current liabilities	**(38,000)**	(78,911)	**(25,948)**	(41,727)
Non-current liabilities	**–**	–	**(28)**	(3,442)
Net assets	**29,007**	23,941	**22,635**	24,227
Net assets attributable to the Group	**15,954**	13,168	**9,054**	9,691

24 INVESTMENT IN SECURITIES

The amount at 31st December, 2004 represented unquoted equity investments held by the Group and the Company which were reclassified as available-for-sale investments from 1st January, 2005 onwards in accordance with the requirements of HKAS 39.

25 AVAILABLE-FOR-SALE INVESTMENTS

The amount at 31st December, 2005 represents unquoted equity investments which are stated at cost. In the opinion of the Directors, it is not practicable to determine the fair value of the investments as no quoted market price is available.

26 DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents interest rate swap entered into by the Group.

The Company uses interest rate swap to manage its exposure to interest rate movements on its bank borrowings by swapping a portion of those borrowings from floating rate to fixed rate. As at 31st December, 2005 the Company has outstanding interest rate swap with a notional amount of US$50 million. The fair value of the swap as at 31st December, 2005 was estimated at US$67,000. This amount was estimated by the independent third party based on market price for equivalent instrument at the balance sheet date.

27 PREPAID LEASE PAYMENTS

	2005 US$'000	2004 US$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	**71**	73
Leasehold land outside Hong Kong:		
Medium-term lease	**47,828**	21,722
	47,899	21,795
Analysed for reporting purpose as:		
Amount shown under current assets	**1,042**	368
Amount shown under non-current assets	**46,857**	21,427
	47,899	21,795

28 OTHER ASSETS

	Group	
	2005	2004
	US$'000	US$'000
At 1st January	**879**	877
Acquired on consolidation of former jointly controlled entities	**150**	–
Amount capitalised	**217**	510
Eliminated on disposal of a subsidary	**–**	(25)
Amount amortised	**(794)**	(483)
At 31st December	**452**	879

29 INVENTORIES

	Group	
	2005	2004
	US$'000	US$'000
Raw materials	**71,001**	62,646
Work in progress	**7,101**	37,318
Finished goods	**37,416**	81,170
	115,518	181,134

At 31st December, 2005, raw materials and finished goods of US$40,732,000 (2004: nil) and US$17,454,000 (2004: nil) respectively were carried at net realisable value.

30 TRADE RECEIVABLES

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 aged analysis of trade receivables at 31st December, 2005 is as follows:

	Group	
	2005	2004
	US$'000	US$'000
0 to 30 days	**32,709**	22,172
31 to 60 days	**9,205**	14,006
61 to 90 days	**6,334**	10,147
91 to 120 days	**7,369**	2,305
Over 120 days	**9,516**	5,650
	65,133	54,280

The Directors consider that the carrying amount of trade receivables approximates its fair value.

31 TRADE PAYABLES

The aged analysis of trade payables at 31st December, 2005 is as follows:

	Group	
	2005	2004
	US$'000	US$'000
0 to 30 days	**16,712**	37,730
31 to 60 days	**8,650**	13,635
61 to 90 days	**4,718**	6,470
91 to 120 days	**7,152**	4,163
Over 120 days	**4,552**	4,976
	41,784	66,974

The Directors consider that the carrying amount of trade payables approximates its fair value.

32 AMOUNT DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company is as follows:

	Group		
Name	**Balance as at 31.12.2005 US$'000**	Balance as at 31.12.2004 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (H.K.) Limited	**1,072**	290	1,538

The aged analysis of amount due from a related company is as follows:

	Group	
	2005 US$'000	2004 US$'000
0 to 30 days	**635**	290
31 to 60 days	**423**	–
61 to 90 days	**10**	–
over 90 days	**4**	–
	1,072	290

Amount due from a related company represents trade receivable balances due 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. The balance is subject to normal credit terms of 30 days.

33 SHARE CAPITAL

	Number of shares 2005	Number of shares 2004	2005 US$'000	2005 HK$'000	2004 US$'000	2004 HK$'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	**611,228,760**	522,417,760	**7,844**	**61,123**	6,706	52,242
Shares issued for cash	**–**	88,811,000	**–**	**–**	1,138	8,881
At 31st December	**611,228,760**	611,228,760	**7,844**	**61,123**	7,844	61,123

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 were largely used for (a) the relocation and expansion of Tianjin Pacific; and (b) financing the land and related construction costs for the establishment of a new dry freight container factory in Eastern Guangdong Province.

34 RESERVES

Company	**Share premium** US$'000	**Accumulated profits** US$'000	**Total** US$'000
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)
Profit for the year	–	5,553	5,553
Dividend paid	–	(6,700)	(6,700)
At 1st January, 2005	98,011	9,593	107,604
Profit for the year	–	15,283	15,283
Dividend paid	–	(16,486)	(16,486)
At 31st December, 2005	98,011	8,390	106,401

Distributable reserves of the Company at 31st December, 2005, calculated under section 79B of the Companies Ordinance, amounted to US$8,390,000 (2004: US$9,593,000).

35 BANK BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings comprise the followings:				
Bank loans				
Secured				
– due within 1 year	**4,000**	12,052	**–**	–
Unsecured				
– due within 1 year	**44,015**	56,035	**7,500**	15,119
– due more than 1 year, but not exceeding 2 years	**22,887**	9,000	**21,400**	9,000
– due more than 2 years, but not exceeding 5 years	**87,500**	31,350	**87,500**	29,900
	154,402	96,385	**116,400**	54,019
Total	**158,402**	108,437	**116,400**	54,019
Less: Amount shown under current liabilities	**(48,015)**	(68,087)	**(7,500)**	(15,119)
Amount due after one year	**110,387**	40,350	**108,900**	38,900

The Group's bank borrowings are principally on a floating rate basis which carry interest at prevailing market rate. Interest is repriced every one to three months.

The ranges of effective annual interest rates for the year 2005 on the Group's bank borrowings were 2.7% to 5.8% (2004: 1.8% to 5.8%).

On 20th May, 2005, the Company has entered into a facility agreement with a syndicate of banks in request of the US$100 million term loan and revolving credit facilities for a term of five years. Repayments will commence on 20th November, 2006 and will continue until 20th May, 2010. The bank loan carries floating rate interest of London Interbank Offered Rate ("LIBOR") plus 0.625 per cent. per annum.

35 BANK BORROWINGS (Continued)

At the balance sheet date, the Group's bank borrowings are denominated in following currencies:

	2005 US$'000	2004 US$'000
United States dollars	**152,206**	102,090
Renminbi	**6,196**	6,347
	158,402	108,437

The Directors consider that the carrying amount of bank borrowings approximates its fair value.

36 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, 2004	82	47	103	232
Credit (charge) to income	21	(47)	3	(23)
At 31st December, 2004	103	–	106	209
Credit (charge) to income	17	–	17	34
At 31st December, 2005	120	–	123	243

At 31st December, 2005, the Group has unused tax losses of US$18,496,000 (2004: US$14,760,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$552,000, US$408,000 and US$764,000 that will expire in 2008, 2009 and 2010 (2004: US$711,000 and US$249,000 in 2007 and 2009 respectively) 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$16,435,000 (2004: US$13,440,000) as it is not certain that the tax losses will be utilised in the foreseeable future. The tax losses may be carried forward indefinitely.

37 PLEDGED DEPOSIT

Group

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

38 CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Guarantees for bank facilities utilised by subsidiaries	**–**	–	**24,071**	28,538
Guarantees for bank facilities utilised by jointly controlled entities	**10,000**	50,811	**10,000**	50,811
	10,000	50,811	**34,071**	79,349

39 CAPITAL COMMITMENTS

	Group	
	2005	2004
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**26,334**	333
Capital expenditure in respect of business acquisition contracted but not provided for *(note)*	**27,350**	846
	53,684	1,179

Note: During 2005, the Company has established two manufacturing factories in Ningbo and Qingdao respectively with total investment cost of US$60 million. Subsequent to 31st December, 2005, the Company paid the remaining investment cost of US$19 million by its internal fund. The Group has also negotiated with certain third parties to establish joint ventures in which the Group will invest approximately US$8,350,000 to develop manufacturing facilities in the PRC.

40 OPERATING LEASE COMMITMENTS

The Group as lessee

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	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– in the 1st year	**823**	1,101	**379**	143
– in the 2nd to 5th year inclusive	**1,100**	1,457	**505**	–
– beyond 5th year	**793**	544	**–**	–
	2,716	3,102	**884**	143

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.

The Group as lessor

At the balance sheet date, certain leasehold land and buildings of the Company with an aggregate carrying amount of US$1,956,000 (2004: nil) were rented out under operating leases. Property rental income earned during the year was US$45,000 (2004: nil). These properties have committed tenants for the next one to three years.

At the balance sheet date, the Company had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

	Group and Company	
	2005	2004
	US$'000	US$'000
– in the 1st year	**92**	–
– in the 2nd to 5th year inclusive	**129**	–
	221	–

41 CONSOLIDATION OF FORMER JOINTLY CONTROLLED ENTITIES

As a result of certain amendments to the terms of the relevant joint venture agreements, the Group took control over the respective boards of directors but without any change in the Group's effective interests in Shanghai Baoshan and Tianjin Pacific, former jointly controlled entities of the Group, Shanghai Baoshan and Tianjin Pacific have become subsidiaries of the Group since 1st January, 2005 and 1st August, 2005 respectively. The carrying amounts of the assets and liabilities of Shanghai Baoshan and Tianjin Pacific at the date of consolidation are summarised below:

	Shanghai Baoshan	**Tianjin Pacific**
	US$'000	US$'000
Property, plant and equipment	10,498	7,335
Trade receivable	5,311	23,125
Prepayments and other receivables	18,256	9,817
Prepaid lease payments	2,348	–
Inventories	61,655	15,407
Cash and bank balances	4,532	15,001
Other assets	150	–
Total assets	102,750	70,685
Bank borrowings	(24,791)	(23,075)
Trade payable	(47,605)	(15,599)
Accruals and other payables	(13,564)	(6,431)
Tax payable	–	(77)
Total liabilities	(85,960)	(45,182)
Less: amount attributable to minority interests	(4,365)	(984)
Add: Premium arising on acquisition of a jointly controlled entity	–	1,691
Amount attributable to the Group and previously classified as interests in jointly controlled entities	12,425	26,210
Net cash inflow arising from consolidation of Shanghai Baoshan and Tianjin Pacific Bank balance and cash consolidated	4,532	15,001

In 2005, Shanghai Baoshan has contributed US$213,731,000 to the Group's turnover and US$11,859,000 to the Group's profit from operations. Tianjin Pacific has contributed US$19,946,000 and US$3,017,000 to the Group's turnover and profit from operations for the period between the date of consolidation and the balance sheet date respectively.

If the consolidation had been completed on 1st January, 2005, total group revenue for the year would have been US$901,544,000, and profit for the year would have been US$54,353,000. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005, nor is intended to be a projection of future results.

42 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group:

	2005 US$'000	2004 US$'000
Sales to a fellow subsidiary *(note)*	**2,045**	1,809
Sales to a related company *(note)*	**7,167**	7,181
Rental income received from a fellow subsidiary *(note)*	**1**	–

Note: The fellow subsidiaries are Pacific International Lines (China) Ltd., and PIL Logistics (China) Co., Ltd. in which PIL, a substantial shareholder of the Company, has 100 per cent. effective interest. The related company is PIL(HK), in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests.

The balances with the related parties are disclosed in the consolidated balance sheet and note 32. All such balances are subject to normal credit terms and aged mainly from 30 days to 90 days. The current accounts with other group companies, jointly controlled entities and associates are unsecured, interest free and repayable on demand.

Compensation of key management personnel

The remuneration of directors and other memebers of key management during the year was as follows:

	2005 US$'000	2004 US$'000
Short-term benefits	**2,353**	2,153
Other long-term benefits	**32**	30
	2,385	2,183

The remuneration of directors and key executives is reviewed by the remuneration committee having regard to the performance of individuals and market trends.

Five Year Financial Summary

	For the year ended 31st December,				
	2005	2004	2003	2002	2001
	%	%	%	%	%
Sales Mix (as a percentage of sales)					
Container manufacturing:					
Dry freight	**86**	82	82	56	51
Collapsible flatracks, other specialised containers and container parts	**1**	2	1	2	2
Refrigerated containers	**9**	9	9	20	25
	96	93	92	78	78
Container depot/terminal:					
Hong Kong	**1**	1	1	4	5
PRC (other than Hong Kong and Taiwan)	**1**	2	3	9	10
	2	3	4	13	15
Mid-stream:					
Hong Kong	**2**	4	4	9	7
Total	**100**	100	100	100	100

	TEUs	TEUs	TEUs	TEUs	TEUs
Production volume					
20-foot containers	**179,271**	206,507	146,059	102,107	57,659
40-foot containers	**114,404**	122,776	67,056	31,934	37,354
40-foot high cube containers	**199,540**	286,810	247,454	171,286	101,972
45-foot high cube containers	**1,067**	2,743	5,954	4,613	3,166
	494,282	618,836	466,523	309,940	200,151

Five Year Financial Summary (Continued)

	For the year ended 31st December,				
	2005	2004	2003	2002	2001
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**842,936**	532,793	450,712	180,637	171,962
Profit from operations	**57,404**	32,538	29,723	15,194	19,395
Finance costs	**(9,330)**	(5,193)	(4,105)	(1,829)	(4,192)
Investment income	**1,186**	1,221	299	120	752
Share of results of associates	**1,208**	1,065	1,517	6,833	815
Share of results of jointly controlled entities	**9,683**	20,828	4,833	(507)	616
Profit before taxation	**60,151**	50,459	32,267	19,811	17,386
Income tax expense	**(6,146)**	(3,116)	(2,036)	(1,071)	(1,503)
Profit for the year	**54,005**	47,343	30,231	18,740	15,883
Attributable to:					
Equity holders of the Company	**44,899**	39,636	20,370	14,689	10,313
Minority interests	**9,106**	7,707	9,861	4,051	5,570
	54,005	47,343	30,231	18,740	15,883
Earnings per share–basic	**US7.35 cents**	US7.37 cents	US4.07 cents	US3.22 cents	US2.26 cents
Assets and Liabilities					
Total assets	**512,477**	543,114	428,215	203,022	187,276
Total liabilities	**(257,511)**	(328,602)	(274,596)	(112,431)	(107,343)
	254,966	214,512	153,619	90,591	79,933
Equity attributable to equity holders of the Company	**215,714**	180,737	104,378	71,445	57,919
Minority interests	**39,252**	33,775	49,241	19,146	22,014
Total equity	**254,966**	214,512	153,619	90,591	79,933

Amounts disclosed in the financial summary for prior years have been restated to reflect the changes in accounting policies in current year as described in note 2 to the financial statements.