SINGAMAS

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

HKEx Stock Code 0716

ANNUAL REPORT 2006

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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)*
Xiamen *(Dry Freight Containers)*
Hui Zhou *(Dry Freight Containers)*
Shunde *(Dry Freight, Tank & Other Specialised 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 twelve factories, eleven in the PRC and one in Surabaya, the Republic of Indonesia. We manufacture a wide range of products including dry freight containers, collapsible flatrack containers, open top containers, log carriers for railway, refrigerated containers, U.S. domestic containers, tank containers, other specialised containers, container parts and 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.

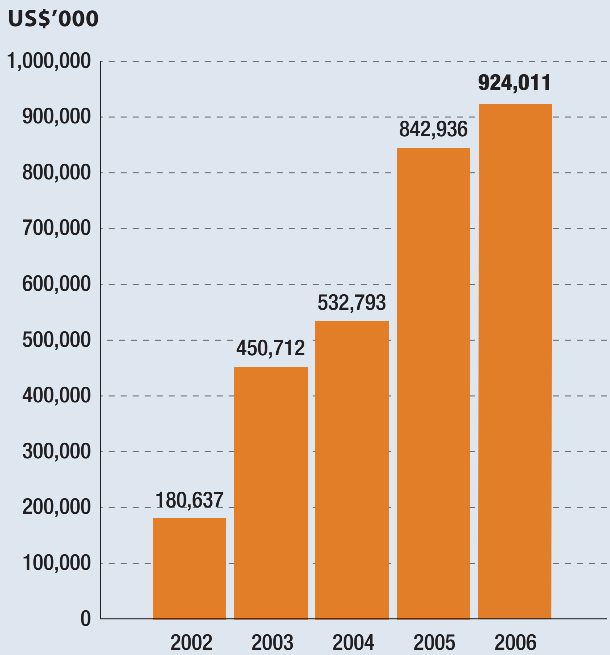
FINANCIAL HIGHLIGHTS

	2006 (US$)	2005 (US$)	2004 (US$)	2003 (US$)	2002 (US$)
Revenue	924,011,000	842,936,000	532,793,000	450,712,000	180,637,000
Profit from operations	30,549,000	57,404,000	32,538,000	29,723,000	15,194,000
Profit attributable to equity holders of the Company	18,096,000	44,899,000	39,636,000	20,370,000	14,689,000
Earnings per share	2.96 cents	7.35 cents	7.37 cents	4.07 cents	3.22 cents
Net asset value per share	37.00 cents	35.29 cents	29.57 cents	19.98 cents	15.67 cents
Equity attributable to equity holders of the Company	226,146,000	215,714,000	180,737,000	104,378,000	71,445,000
Bank balances and cash	80,659,000	102,604,000	69,466,000	44,485,000	22,609,000
Total borrowings *(note)*	332,829,000	158,402,000	108,437,000	119,203,000	58,059,000
Current ratio	1.17 to 1	2.16 to 1	1.35 to 1	1.30 to 1	1.28 to 1
Gearing ratio	1.47	0.73	0.60	1.14	0.81
Net debt to equity ratio	1.12	0.26	0.22	0.72	0.50
Interest coverage ratio	3.24	10.52	19.63	13.12	22.65

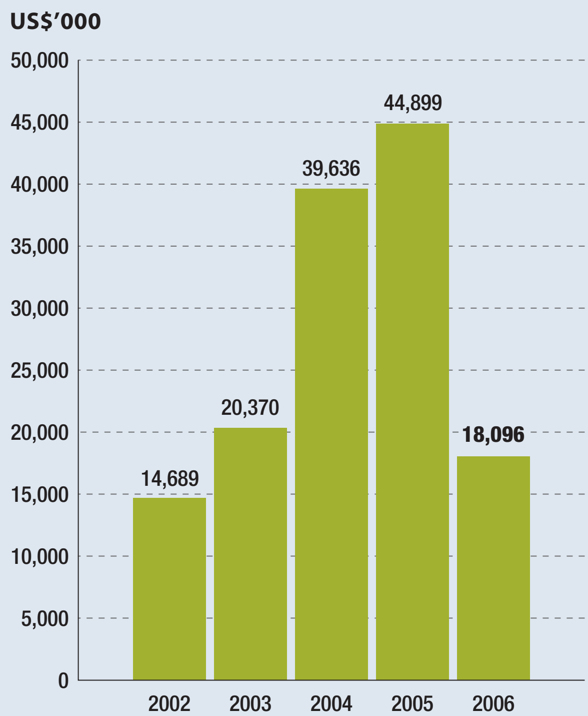
Note: Total borrowings represent the aggregate amount of interest-bearing borrowings.

FINANCIAL HIGHLIGHTS *(Continued)*

REVENUE

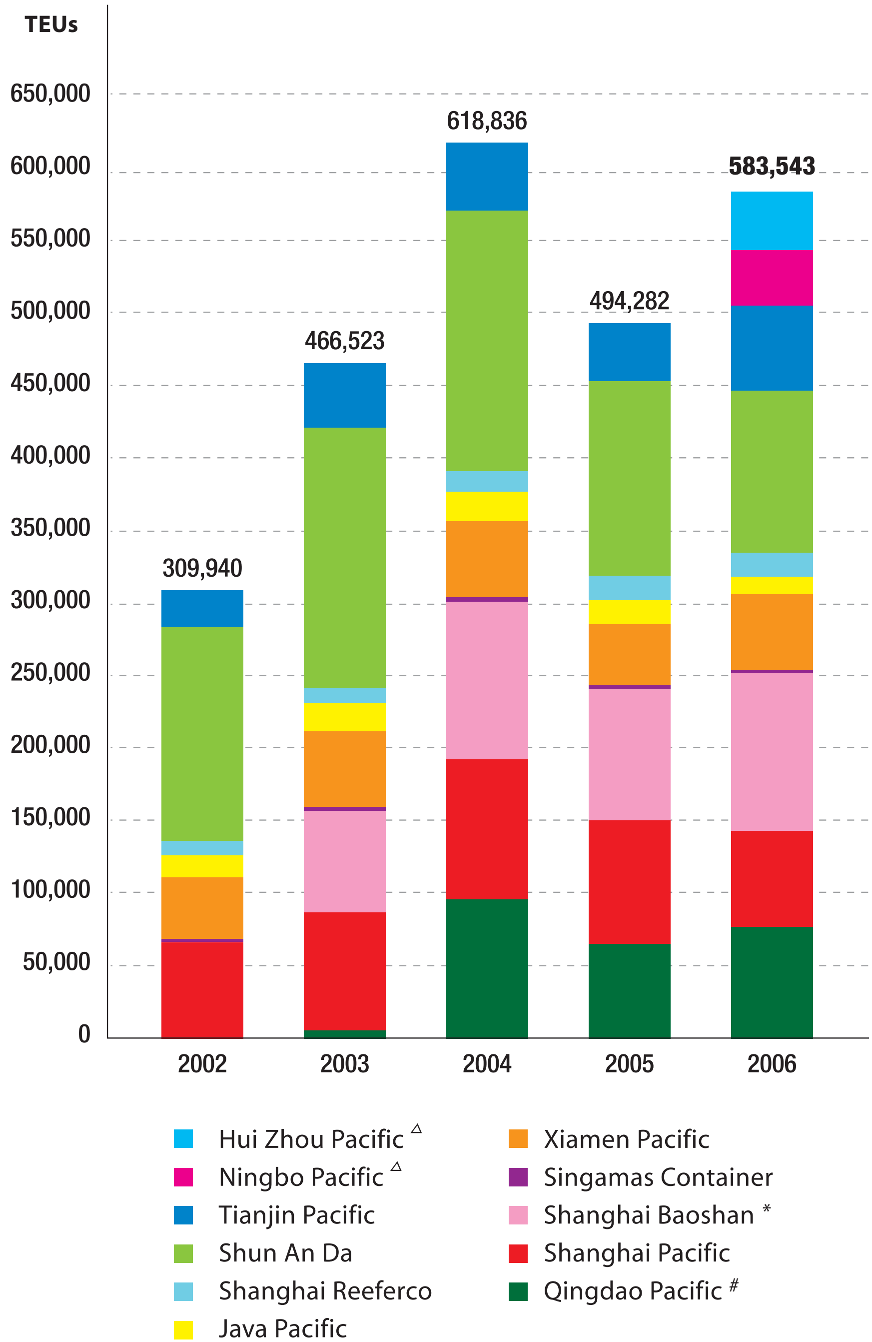


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



FINANCIAL HIGHLIGHTS *(Continued)*

PRODUCTION OUTPUT



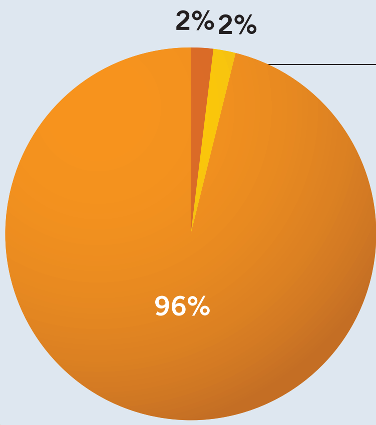
* The Company acquired Shanghai Baoshan in January 2003.

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

△ Construction of Hui Zhou Pacific and Ningbo Pacific began in the second half of 2005 with both factories commenced commercial operations at the end of July 2006.

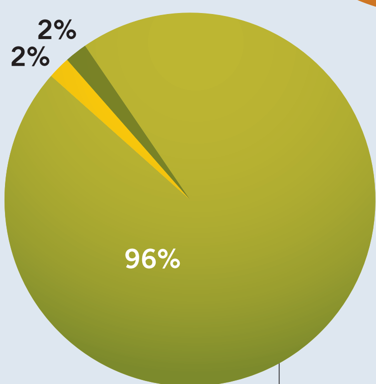
FINANCIAL HIGHLIGHTS *(Continued)*

REVENUE BY BUSINESS SEGMENT



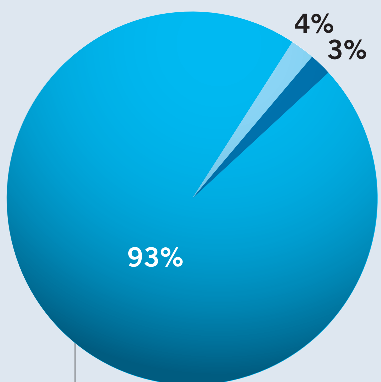
For the year ended
31st December, 2006

- Manufacturing
- Container Depot/Terminal
- Mid-stream



For the year ended
31st December, 2005

- Manufacturing
- Container Depot/Terminal
- Mid-stream

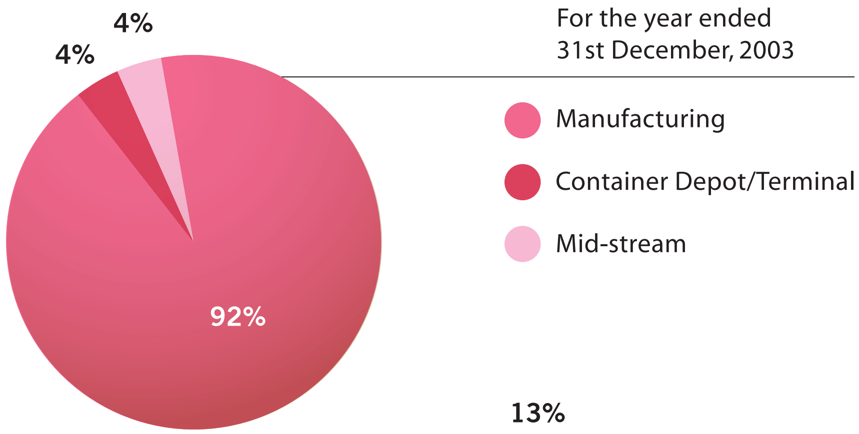


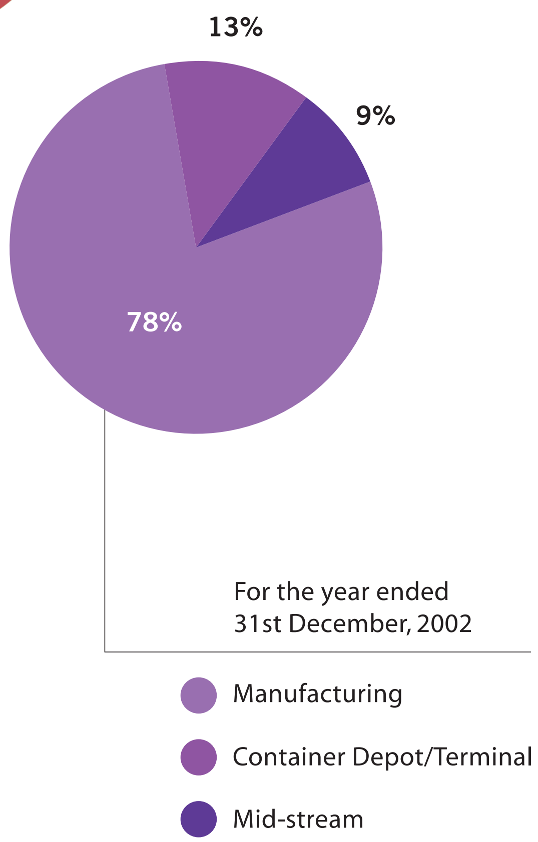
For the year ended
31st December, 2004

- Manufacturing
- Container Depot/Terminal
- Mid-stream

FINANCIAL HIGHLIGHTS *(Continued)*

REVENUE BY BUSINESS SEGMENT *(Continued)*





CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

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

NON-EXECUTIVE DIRECTOR

Mr. Kuan Kim Kin#△

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ngan Man Kit, Alexander△
Mr. Ong Ka Thai#△
Mr. Soh Kim Soon#

 # Audit Committee Member
△ 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

Kirkpatrick & Lookhart Preston Gates Ellis
35th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations Limited
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
35th Floor,
One Pacific Place,
88 Queensway,
Hong Kong

PRINCIPAL BANKERS

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.
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
HSH Nordbank AG
Industrial and Commercial Bank of China (Asia) Limited
ING Bank N.V.
Malayan Banking Berhad
Mizuho Corporate Bank, Limited
Natixis
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

TO OUR SHAREHOLDERS

On behalf of the Board of Directors ("Directors"), I would like to present the operating results of Singamas Container Holdings Limited ("Singamas"/the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2006.

The year 2006 was a challenging one for Singamas. The Group reported consolidated revenue of US$924,011,000 for the year ended 31st December, 2006, compared with last year's US$842,936,000. Consolidated net profit attributable to equity holders of the Company decreased by 59.7% to US$18,096,000. Basic earnings per share were US2.96 cents, compared with US7.35 cents last year.

DIVIDENDS

The Directors proposed to pay a final dividend of HK3 cents per ordinary share (2005: HK9 cents) for the year ended 31st December, 2006 to members whose names appear on the register of members of the Company on Friday, 1st June, 2007. Together with the interim dividend of HK4 cents per ordinary share (2005: HK9 cents), total dividend for the year would be HK7 cents per ordinary share (2005: HK18 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be paid to shareholders on or before 31st July, 2007. The register of members of the Company will be closed from Tuesday, 29th May, 2007 to Friday, 1st June, 2007, both days inclusive, during which period no transfer of shares will be effected.

BUSINESS REVIEW

The Group's three new container manufacturing factories in Ningbo, Tianjin and Hui Zhou did not begin production until the end of July 2006 as there was a delay in gaining full licensing for these facilities. They therefore missed the peak season of the year, which caused substantial start-up losses.

The Group also incurred losses following the start of production in March 2006 of new higher value U.S. domestic containers and chassis in Qingdao, owing to technical issues and production inefficiencies typical in the first year of production. These losses, together with those from the three new plants, largely accounted for the disappointing results for the year ended 31st December, 2006.

Nevertheless, with an expanded capacity and a broader product mix, the Group is well positioned for future growth.

MANUFACTURING

Manufacturing continues to be the Group's core business, accounting for 96% of its total revenue. The revenue from this segment increased by 10% to reach US$890,376,000, after the full consolidation on 1st June, 2006 of the results of Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific") – previously a jointly controlled entity of Singamas – into the Group's accounts. However, the delayed production of the three plants in the People's Republic of China ("PRC") and the start-up losses from new products caused a drop in profit before taxation and minority interests to US$10,028,000, compared with US$49,378,000 in 2005.

Total production output was 18.1% higher than in 2005, reaching 583,543 twenty-foot equivalent units ("TEUs"). The Group's maximum annual production capacity increased to 1,250,000 TEUs from 850,000 TEUs the year before, after completion of the three expansion projects:

- The establishment of Ningbo Pacific Container Co., Ltd. ("Ningbo Pacific"), a new dry freight container factory in Ningbo, with maximum annual production capacity of 100,000 TEUs.

- The relocation and expansion of Tianjin Pacific Container Co., Ltd., a dry freight container factory, with maximum annual production capacity increased from 50,000 TEUs to 120,000 TEUs after the relocation.

- The establishment of Hui Zhou Pacific Container Co., Ltd. ("Hui Zhou Pacific"), a new dry freight container factory in Eastern Guangdong with maximum annual production capacity of 200,000 TEUs.

CHAIRMAN'S STATEMENT *(Continued)*

In addition to expanding its production facilities, the Group implemented a three-pronged business development strategy that will pave the way for its future growth:

I) Extending Market Reach to Japan

In September 2006, the Group entered into a sales agency agreement with Mitsubishi Corporation ("Mitsubishi"), Japan's largest general trading house with operations in approximately 80 countries. Under the agreement, Mitsubishi will cooperate with Singamas in selling and marketing its containers to the Japanese market. Given Mitsubishi's extensive network and influence in Japan, the Group believes this co-operative venture will extend its market reach and expand its revenue sources.

II) Consolidating and Strengthening Factory Network

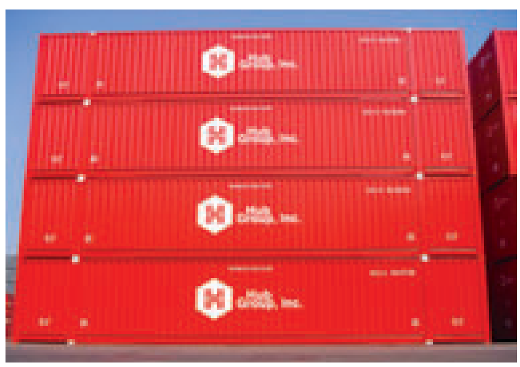
In March 2006, Singamas entered into an agreement to sell a 20% equity stake in Ningbo Pacific to China Shipping Investment Co., Ltd. ("China Shipping"), a subsidiary of China Shipping (Group) Company – the world's sixth largest container shipping line by shipping capacity. Through this strategic partnership, both parties will benefit by gaining greater access to the fast-growing Ningbo/Zhejiang market. It will also increase the Group's overall competitiveness in container manufacturing.

To further enhance the strategic cooperation with China Shipping and Mitsubishi Group, in September 2006, China Shipping and Mitsubishi Group separately entered into share transfer agreements with Singamas to acquire a 20% and 9% equity interest in Hui Zhou Pacific, respectively.

Singamas also entered into a share transfer agreement in May 2006 to acquire an additional 40% equity interest in Qingdao Pacific from Hiking Group Co., Ltd.. As a result, Qingdao Pacific is now a 95%-owned subsidiary of the Company. Located in Qingdao, the PRC's third busiest container port, Qingdao Pacific is the Group's fourth largest dry freight container factory in terms of production capacity.

III) Diversifying Product Mix

Since a broader product mix will enhance the Group's future profitability, Qingdao Pacific began manufacturing higher value U.S. domestic containers (45-foot, 48-foot and 53-foot containers) in March 2006. These products are designed solely for land transportation in the U.S., Canada and Mexico. With a growing number of sales orders and improved production efficiency, Qingdao Pacific was able to break even in February 2007.



CHAIRMAN'S STATEMENT *(Continued)*

The Group has also started manufacturing chassis since March 2006 under Qingdao Singamas Industrial Vehicle Co., Ltd. on the site of Qingdao Pacific. These chassis are produced mainly for the North American market.

In March 2006, Singamas teamed up with Netherlands-based Flax Field Trading B.V. ("FFT") to set up a factory at the Group's Shunde plant for producing tank containers. This state-of-the-art facility, which began production in January 2007, employs the latest technology and has strong technical and training backup by FFT. The Group believes the arrangement with FFT, which combines their expertise in design, manufacturing, engineering support, marketing and after-sales service of tank containers with its decades of experience in container manufacturing, will further strengthen Singamas' product mix and revenue stream.

LOGISTICS SERVICES

The Group is confident that its logistics business will increase in the decade ahead, benefiting from the continuous growth in container throughputs at major PRC ports. During the year, the Group's container depots and terminals handled a total of 4.7 million TEUs of containers, with average daily container storage of 109,450 TEUs. Total area and storage capacity amounted to about 1.2 million square metres and 142,500 TEUs, respectively. Revenue from this segment was US$20,094,000, 8.6% higher than in 2005. Profit before taxation and minority interests was US$9,134,000, an increase of 21.2% when compared with last year's.

The Group's mid-stream operation handled 304,966 TEUs of containers, compared with 329,260 TEUs in 2005. With effective cost control, the Group's mid-stream business reported a profit before taxation and minority interests of US$3,375,000, 4.4% higher than in last year.

PROSPECTS

Singamas focused its resources during the year on increasing production capacity and expanding its product range for the Group's future growth. The higher value products being manufactured will enable the Group to meet customers' needs and capture other business opportunities in the years ahead.

CHAIRMAN'S STATEMENT *(Continued)*

The Group believes that in 2007, container traffic will continue to grow, giving rise to strong demand for new containers and logistics services. The market expects new container vessels with shipping slots totalling 1.49 million TEUs to be delivered to shipping companies in 2007. With container shipping capacity growing at an estimated 13.7% a year on average between 2007 and 2010, demand for new containers is expected to remain steady.

Container manufacturing will continue to be the Group's main growth driver in 2007, with the average selling price of containers expected to grow steadily in line with material costs.

The Group will also remain committed to the strategy of expanding its product mix and will develop specialised containers to cater for market demand. The Group anticipates that sales volume of specialised containers will grow progressively in the next few years to account for a significant portion of the Group's total revenue.

Going forward, the Group will continue to maximise production capacity by enhancing its production facilities, explore potential strategic alliances with other business partners, and strengthen its market leadership through the extension of its marketing network.

The Group is well placed to take advantage of any future business opportunities.

ACKNOWLEDGEMENT

On behalf of the Group, I would like to thank our customers and business partners for their continuous support and guidance. My gratitude also goes to my fellow board members and colleagues for their contributions and hard work in the past year. In the future, we will remain steadfast in our commitment to achieving better results for the Group and increasing shareholder value for our investors.

Chang Yun Chung
Chairman

Hong Kong, 11th April, 2007

FREQUENTLY ASKED QUESTIONS

1. What significant business achievements have Singamas attained in 2006?

A. The year of 2006 was a challenging one for Singamas. The delayed production of our three new plants in Ningbo, Tianjin and Hui Zhou, respectively, and start-up losses from new products introduced in the year, largely accounted for the lower than expected results.

Nevertheless, the Group attained the following business objectives in 2006, paving way for future growth:

a) Completed three expansion projects at the end of July 2006:

- The establishment of two new dry freight container factories in Ningbo and Hui Zhou; and
- The relocation and expansion of the Tianjin facility.

After completion of these three projects, the Group's maximum annual production capacity increased from 850,000 twenty-foot equivalent units ("TEUs") to 1,250,000 TEUs;

b) In addition to expanding our production facilities, the Group implemented a three-pronged business development strategy:

(I) Extending Market Reach to Japan

In September 2006, the Group signed a sales agency agreement with Mitsubishi Corporation ("Mitsubishi") stipulating cooperation between the two parties to sell and market Singamas' containers in the Japanese market.

(II) Consolidating and Strengthening Factory Network

i. In March 2006, China Shipping Investment Co. Ltd. ("China Shipping") acquired from Singamas a 20% equity stake in our new Ningbo factory, allowing both parties to tap the fast-growing Ningbo/ Zhejiang market;

ii. In September 2006, China Shipping and Mitsubishi Group acquired from Singamas 20% and 9% equity interest, respectively, in our new Hui Zhou factory, thus further enhancing cooperation between Singamas and these two strategic partners; and

iii. In May 2006, the Group acquired from Hiking Group Co., Ltd. an additional 40% equity interest in Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific"), making it a 95%-owned subsidiary of Singamas.

FREQUENTLY ASKED QUESTIONS *(Continued)*

(III) Diversifying Product Mix

i. The Group diversified its product mix to include higher value U.S. domestic containers (45-foot, 48-foot and 53-foot containers) and chassis produced on the site of Qingdao Pacific. With improved production efficiency, Qingdao Pacific achieved break-even in February 2007;

ii. Singamas also teamed up with Netherlands-based Flax Field Trading B.V. ("FFT") to set up at the Group's Shunde plant a facility specialising in the production of tank containers. The new facility started commercial production in January 2007.

The Group will continue to maximise production capacity by enhancing its facilities, explore potential strategic alliances with other business partners and strengthen its market position by extending its marketing network and broadening its product mix. After the recent developments, the Group is well positioned to take advantage of any future business opportunities.

2. How have the three new container manufacturing factories in Ningbo, Tianjin and Hui Zhou performed after commercial production started?

A. Due to delay in gaining full licensing, the factories did not begin production until the end of July 2006, which was much later than originally scheduled. They therefore missed the peak season of the year causing substantial start-up losses for us. With improving efficiency and increasing orders, we expect these new factories to perform better in 2007. In fact, as of the date of this annual report, the three factories are already generating profit contribution to the Group.

3. For 2007, what will the trend be for raw material costs, and how will it affect the Group's business?

A. Material costs, especially for Corten steel and floorboards, started to increase after the Chinese New Year holiday in 2006, and this trend continued into 2007. As container selling prices are largely cost driven, the Group expects container selling prices in 2007 to grow steadily in line with material costs.

4. With expanded capacity and a broader product mix, what is the Group's long-term plan for sustained growth?

A. Through strategic alliances with existing and new business partners, the Group remains committed to expanding its product mix and developing specialised containers to cater for market demands, thereby enhancing profit margin. The Group anticipates that sales volume of specialised containers and other special products will grow progressively in the next few years, accounting for a more significant portion of the Group's total revenue.

FREQUENTLY ASKED QUESTIONS *(Continued)*

5. What is the Group's future plan for strengthening its container manufacturing network?

A. After completion of the three expansion projects in July 2006, the Group's container manufacturing network has become highly comprehensive, covering all major port locations. The Group believes that its network is sufficient to cater for future demand growth and for the time being, further expansion is unnecessary.

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

A. Yes, as mentioned above, through strategic alliances with existing as well as new business partners, the Group is committed to augmenting its product mix by developing more specialised containers with higher profit margins (normally 3 to 5 percentage points higher in gross margin than the conventional dry freight containers).

7. How will the Group expand its marketing network to capture market share?

A. The Group will expand its marketing network by entering into strategic alliances with business partners. For example, we entered into a sales agency agreement with Mitsubishi in September 2006 to extend the Group's reach to the Japanese market.

8. Are there any plans for acquisitions or cooperative projects in the future?

A. The Group does not rule out the possibility of engaging in acquisitions or cooperative projects in the future, but at the moment, there are no concrete plans that we can disclose.

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

A. The Group is still expanding, including adding new products to widen its product range. In addition, the Group is striving to lower its gearing ratios to a more healthy level in order to strengthen its financial position and to minimise its financial costs. To achieve these objectives, reserving a portion of profits is duly required. That said, the Company fully realises the need to provide shareholders with a reasonable return in the form of regular dividend payments. The Board's current guideline on future dividend payment is about 25% to 30% 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 88, Chairman, appointed on 20th April, 1993, started his shipping career in Singapore in 1949 and is the founder of Pacific International Lines (Private) Limited ("PIL"), a substantial shareholder of the Company. Mr. Chang is presently the Executive Chairman of the PIL Group of companies in Singapore, which is engaged in shipping and related business. Mr. Chang is also the Chairman of Pacific International Lines (H.K.) Ltd. of Hong Kong ("PILHK"), the Maya Group of companies, Malaysia Shipping Corporation Sdn. Bhd. of Malaysia, Eastern Maritime (Thailand) Ltd. and Pacific Seatran Lines Pte. Ltd. of Thailand. PILHK, a company in which Messrs. Chang, Teo Siong Seng and Teo Tiou Seng, directors and shareholders of PIL, have beneficial interests, is an associate of PIL. Other than PILHK, the Maya Group of companies, Malaysia Shipping Corporation Sdn. Bhd. of Malaysia, Eastern Maritime (Thailand) Ltd. and Pacific Seatran Lines Ltd. of Thailand are third parties independent of the Company and connected persons of the Company.

Mr. Teo Siong Seng, *B.Sc. (Naval Architect),* aged 52, 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 the Singapore Chinese Chamber of

DIRECTORS AND SENIOR MANAGEMENT PROFILE *(Continued)*

Commerce & Industry and sits on the Board of Maritime and Port Authority of Singapore (MPA) and Through Transport Mutual Insurance Association Limited. He is the President of Singapore Shipping Association and Chairman of Singapore Maritime Foundation (SMF), Lloyd's Register Asia Shipowners, The Standard Steamship Owners' Protection and Indemnity Association (Asia) Limited and Class NK Singapore. He is also a Member of the Management Board Centre for Maritime Studies.

Mr. Hsueh Chao En, *Dip. Eng.,* aged 54, appointed on 16th May, 1997, joined Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific"), a 60% 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 60, 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 27 years of experience in the container manufacturing industry in the PRC.

Mr. Teo Tiou Seng, aged 54, 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 24 years of working experience in container transport business and is also a director of PIL and the Managing Director of PILHK.

Mr. Kuan Kim Kin, aged 58, 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. He is also a non-executive director of PST Management Pte Ltd which acts in its capacity as a Trustee manager of Pacific Shipping Trust listed on the Singapore Exchange Securities Trading Limited. 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 56, 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 33 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 Amish Naturals, Inc. and was also previously a director of EUPA International Ltd. and Clearant Inc., all companies are listed on NASDAQ.

DIRECTORS AND SENIOR MANAGEMENT PROFILE *(Continued)*

Mr. Ong Ka Thai, aged 52, 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.. These companies are third parties independent of the Company and connected persons of the Company. 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 30 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 61, 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. These companies are third parties independent of the Company and connected persons of the Companies. 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 EnGro Corporation Limited, a publicly listed company in Singapore. He is also a director of Fraser Centrepoint Asset Management Ltd.. He was also previously on the Boards of Gul Technologies Singapore Ltd. and Speedy-Tech Electronics Ltd.

All Directors, except for the managing director of the Company who shall subject to retirement by rotation at least once every three years but shall be eligible for re-election, 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE *(Continued)*

SENIOR MANAGEMENT EXECUTIVES

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

Mr. Teo Siong Seng	*President and Chief Executive Officer*
Mr. Hsueh Chao En	*Executive Vice President – Manufacturing Operations*
Mr. Jin Xu Chu	*Senior Vice President – Manufacturing Operations*
Ms. Tam Shuk Ping, Sylvia	*Chief Financial Officer and Company Secretary*
Mr. Chan Kwok Leung, Andy	*Vice President 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 44, Chief Financial Officer and Company Secretary, 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 19 years of combined experience in public accountancy, manufacturing, distribution and construction.

Mr. Chan Kwok Leung, Andy, aged 49, Vice President of Marketing and General Manager – Hong Kong Container Depot and Terminal Operations, joined Eng Kong Container Services Ltd., a subsidiary of the Company, on 1st July, 1994. He has more than 27 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 46, 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 21 years' experience in shipping lines management. Prior to joining the Company, he was the General Manager of Pacific International Lines (Pte.) Limited, Qingdao Branch and Shanghai Branch.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Singamas Container Holdings Limited ("Singamas"/the "Company") has fully complied with all the applicable principles of 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") and also adopted certain recommended best practices of the Code.

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 complied with the following applicable code provisions set out in the Code:

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 20 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Company's articles of association ("Articles") provide 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. Under such circumstance, a 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 2006. • Attendance records of the Directors in 2006: **Attendance (%)** **Executive Directors** Chang Yun Chung (also known as Teo Woon Tiong) 100 Teo Siong Seng 100 Hsueh Chao En 100 Jin Xu Chu 75 Teo Tiou Seng 75 **Non-executive Director** Kuan Kim Kin 100 **Independent Non-executive Directors** Ngan Man Kit, Alexander 100 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.
• Minutes 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 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 Liability 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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.
• The chairman should facilitate the effective contribution of non-executive directors and ensure constructive relations between executive and non-executive directors.		
• The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	Yes	• The Chairman holds private meetings with the non-executive Directors, including the independent non-executive Directors, at least once a year.

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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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, function and whether they are independent non-executive director 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. • 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.	Yes	• 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. • Under the Company's Articles, any Director appointed by the Board to fill a casual vacancy shall be subject to election by shareholders at the first general meeting of the Company after such Director's appointment.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 11th April, 2007.
• 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 applicable 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 2006.
• 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 2006.
• 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. • Non-executive Directors have physically visited the Company's operating units in China to gain a better understanding of the Group's business operations and development plans for making constructive and informed comments of the Company's business developments.

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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 is 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 2006, the Remuneration Committee met three times and attendance of individual members at Remuneration Committee meeting in the year is summarised below:

Committee members	**Attendance (%)**
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 pages 90 to 91 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. • 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.	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.
• 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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, 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 conducing 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 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 Director, 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

The details of Audit Committee members' attendance in 2006 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 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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. • An issuer should formalise the functions reversed to the board and those delegated to management.	Yes	• Internal guidelines have been formulated in respect to those matters reserved for the Board and functions or authorities 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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 have been attending general meetings 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.

CORPORATE GOVERNANCE REPORT *(Continued)*

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.	Yes	• Procedures for demanding a poll were set out in the circular accompanying the notice of 2006 annual general meeting and also in circulars of other general meetings. These procedures were also explained during the 2006 annual general meeting and other general meetings' proceedings. • A representative of the Company (for the 2006 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. • Under the Company's Articles, a poll may be demanded: (a) by the chairman; or (b) by not less than three members present in person or, in the case of a corporation, by its authorised representatives or by proxy for the time being having the right to vote at the meeting; or (c) by a member or members present in person or, in the case of a corporation, by its authorised representatives or by proxy for the time being 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 members present in person or, in the case of a corporation, by its authorised representatives or by proxy for the time being and 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 shares conferring that right; or (e) by the chairman of such meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting in certain circumstances where, on show of hands, such meeting votes in the opposite manner to that instructed in those proxies.
• 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.		

CORPORATE GOVERNANCE REPORT *(Continued)*

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 2007.

During the year under review, the fees paid to the Company's external Hong Kong auditors for audit work amounted to HK$2,500,000 and for non-audit and review activities amounted to HK$238,000 (including HK$170,000 for interim review, HK$28,000 for tax review and HK$40,000 for other related services).

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, 2006, the Directors have selected suitable accounting policies and applied them consistently, adopted all applicable 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. 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 www.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 continuously enhances 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 a Frequently Asked Questions section in its Annual Report providing the 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.

REPORT OF THE DIRECTORS

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, 2006.

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, 2006 by principal activity is as follows:

ANALYSIS BY PRINCIPAL ACTIVITY

	Revenue	**Contribution to profit before taxation**
	US$'000	US$'000
Manufacturing	890,376	20,834
Logistics services		
Container depot/terminal	20,094	6,389
Mid-stream	13,541	3,326
	924,011	30,549
Finance costs		(17,732)
Investment income		1,540
Changes in fair value of derivative financial instruments		7,468
Share of results of associates		1,189
Share of results of jointly controlled entities		(477)
Profit before taxation		22,537

REPORT OF THE DIRECTORS *(Continued)*

An analysis of the Group's revenue for the year ending 31st December, 2006 by geographical market is as follows:

ANALYSIS BY GEOGRAPHICAL MARKET

	Revenue
	US$'000
United States	253,456
Europe	201,415
Hong Kong	159,024
Taiwan	67,889
People's Republic of China (other than Hong Kong and Taiwan)	64,398
South Korea	55,734
Others	122,095
	924,011

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 57.

The Directors recommended the payment of a final dividend of HK3 cents per ordinary share (2005: HK9 cents). Together with the interim dividend of HK4 cents per ordinary share (2005: HK9 cents), total dividend for the year would be HK7 cents per ordinary share (2005: HK18 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend is payable on or before 31st July, 2007 to those shareholders whose names appear on the register of members of the Company on Friday, 1st June, 2007. The register of members of the Company will be closed from Tuesday, 29th May, 2007 to Friday, 1st June, 2007, 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 127 to 128.

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 36 to the financial statements, respectively.

REPORT OF THE DIRECTORS *(Continued)*

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, 2006, the Group had bank balances and cash of US$80,659,000 (2005: US$102,604,000) and total interest-bearing borrowings of US$332,829,000 (2005: US$158,402,000). 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 1.47 (2005: 0.73) 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$80,659,000) over equity attributable to equity holders of the Company, of 1.12 (2005: 0.26). The increase in total interest-bearing borrowings was largely attributable to:

- the consolidation of the liabilities of Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific"), a former jointly controlled entity of the Company;

- the additional working capital requirements from Ningbo Pacific Container Co., Ltd. ("Ningbo Pacific") and Hui Zhou Pacific Container Co., Ltd. ("Hui Zhou Pacific"), the Group's two newly established dry freight container factories that have commenced commercial operations in July 2006; and

- the additional working capital requirements from the expanded Tianjin Pacific Container Co., Ltd. after its relocation to a larger site in July 2006.

After completion of the Company's acquisition of an additional 40% equity interest in Qingdao Pacific from Hiking Group Co., Ltd. ("Hiking Group") and following certain amendments to the terms of the joint venture agreement of Qingdao Pacific, Qingdao Pacific has become a subsidiary of the Company with effect from 1st June, 2006.

Higher interest rates and lower profitability of the year affected the interest coverage ratio of the Group. Accordingly, the interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense decreased to 3.24 times in 2006, compared to 10.52 times in 2005.

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$, same is true for its machinery and raw material purchases. To a lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. To minimise currency risk exposure, a majority of the Group's borrowings, approximately 60% of the total as at 31st December, 2006 was in US$ with the balance in RMB. The Group also entered into foreign currency swap contract to manage its RMB exposure. As at 31st December 2006, the foreign currency swap contract has an outstanding nominal amount of HK$77.5 million (2005: nil).

A majority of the Group's borrowings is arranged on a short term revolving basis for the financing of the Group's daily working capital requirements. Of the total borrowings as at year end date, the maturity profile spread over a period of four years with US$233,792,000 repayable within one year and US$99,037,000 within two to four years. The Group's borrowings are principally on a floating rate basis. As at 31st December, 2006, the Company has outstanding interest rate swap contracts with an aggregate notional amount of US$137.5 million (2005: US$50 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 37 to the financial statements. No interest was capitalised by the Group during the year.

ACQUISITION AND DISPOSAL

During 2006, the Group made the following acquisition and disposal:

- acquired an additional 40% equity interest in Qingdao Pacific from Hiking Group; and

- disposed of 20%, 7% and 2% equity interest in Hui Zhou Pacific respectively to China Shipping Investment Co., Ltd. ("China Shipping"), Mitsubishi Corporation and Mitsubishi Corporation (Hong Kong) Limited.

The acquisition was financed by internal resources of the Group and as at the date of this Annual Report, this acquisition was fully paid up.

REPORT OF THE DIRECTORS *(Continued)*

CONNECTED TRANSACTIONS

During the year, the Company had entered into the following connected transactions:

1. On 29th May, 2006, the Company entered into a share transfer agreement with Hiking Group under which the Company agreed to purchase from Hiking Group a 40% equity interest in Qingdao Pacific at a consideration of US$4,800,000 in cash which has been funded by internal resources of the Group. At the time of this transaction, in view that Hiking Group was a substantial shareholder of Qingdao Pacific, in which Hiking Group was holding 45% equity interest, Hiking Group was a connected person and the entering into of this agreement constituted a connected transaction under the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKEx").

   Based on the five size tests performed, certain percentage ratios exceeded 5% but less than the 25% thresholds, this transaction also constituted a discloseable transaction under the Listing Rules. As certain percentage ratios and total consideration exceeded 2.5% and HK$10,000,000, this transaction would normally be subject to independent shareholders' approval under the Listing Rules. Pacific International Lines (Private) Limited ("PIL") (the controlling and substantial shareholder of the Company as defined under the Listing Rules) and Mr. Teo Siong Seng (a shareholder and director of PIL), both considered as a closely allied group of shareholders of the Company under the Listing Rules, who were not interested in this transaction other than their respective shareholdings held in the Company, had given written confirmations to the Company to approve this transaction. No shareholder, including PIL and this aforesaid shareholder, is required to abstain from voting. Accordingly, the Company had applied to HKEx for and been granted a waiver from the requirements under Rule 14A.43 of the Listing Rules and obtained written independent shareholders' approval in lieu of holding a general meeting in respect of this transaction.

2. On 20th September, 2006, the Company entered into a share transfer agreement with China Shipping under which the Company agreed to sell a 20% equity interest in Hui Zhou Pacific at a cash consideration of US$8,071,000 to China Shipping. At the time of this transaction, China Shipping was holding 20% equity interest in Ningbo Pacific while the remaining interest of 80% is held by Singamas. In view that China Shipping is a substantial shareholder of Ningbo Pacific, China Shipping is a connected person of Singamas as defined under the Listing Rules. Based on five tests performed, each of the relevant percentage ratios was less than 2.5%. Accordingly, under Rule 14A.32 of the Listing Rules, the entering into of this share transfer agreement was exempt from the independent shareholders' approval requirements, and would only be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Details of the aforesaid connected transactions had been disclosed by way of a press notice in compliance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During 2006, the Group had the following continuing connected transactions:

1. 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 PIL, have beneficial interests, is an associate of PIL, the controlling and substantial shareholder of the Company, as defined under the Listing Rules. Since the Terminal Agreement involves transactions, which occur on a recurring basis over a period of time, the transactions constitute continuing connected transactions of the Company under the Listing Rules and are subject to the requirements of reporting, announcement and independent shareholders' approval under the Listing Rules.

   It was estimated that the amount of STHK's transactions with PILHK, on annual basis, for the three years commencing 1st January, 2005 would exceed 1% threshold in Rules 14A.31(7) but would not exceed 2.5% 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 had been disclosed by way of a press notice in compliance with the Listing Rules.

2. On 11th April 2006, Singamas Management Services Limited ("SMSL"), a wholly-owned subsidiary of the Company, entered into a master purchase agreement (the "Master Purchase Agreement") with PIL for the sales of containers and other related equipment by the Group to PIL Group. In view that PIL is the controlling and substantial shareholder of the Company, as defined under the Listing Rules, PIL is a connected person of the Company and the entering into of the Master Purchase Agreement would constitute a continuing connected transaction. As the Master Purchase Agreement involves transactions, which occur on a recurring basis over a period of time, the transactions constitute continuing connected transactions of the Company. In view of certain percentage ratios would exceed 25% on an annual basis for the financial year ending 31st December 2006 and for the two following financial years commencing from 1st January 2007, the transactions are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. After obtaining the approval from the independent shareholders on 18th May, 2006, the Master Purchase Agreement has taken effect from 19th May, 2006 and will be ending on 31st December 2008.

REPORT OF THE DIRECTORS *(Continued)*

The aforesaid continuing connected transactions have been approved by the Directors and the independent non-executive Directors have reviewed these transactions and are in the opinion that:–

(a) those continuing connected transactions between STHK and PILHK are entered into in the ordinary and usual course of business of the Group and in accordance with the agreement governing them. They are conducted on normal commercial terms no less favourable than those available to or from independent third parties. The terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The total amount of such transactions for the year ended 31st December, 2006 did not exceed the annual cap of HK$60 million;

(b) those continuing connected transactions between SMSL and PIL are entered into in the ordinary and usual course of business of the Group and in accordance with the agreement and the underlying purchases orders governing them. They are conducted on normal commercial terms no less favourable than those available to or from independent third parties. The terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The total amount of such transactions for the year ended 31st December, 2006 did not exceed the annual cap of US$46,425,000 (equivalent to approximately HK$359,793,750).

The auditors of the Company have issued letters to the Directors in relation to the compliance of the conditions prescribed in the Listing Rules in respect of the aforesaid continuing connected transactions.

CHARGES ON ASSETS

As at 31st December, 2006, certain assets of the Group with aggregate carrying value of US$487,000 (2005:US$6,062,000) were pledged as securities for credit facilities granted by banks to subsidiaries in the PRC.

CONTINGENT LIABILITIES

During 2006, the Company provided guarantees to banks as securities for bank facilities granted to certain subsidiaries and a jointly controlled entity in the PRC. As at 31st December, 2006, total amount of bank facilities of which guarantees were provided, utilised by the jointly controlled entity was US$2,240,000.

SHARE CAPITAL

Details of share capital are set out in note 35 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 during the year ended 31st December, 2006.

REPORT OF THE DIRECTORS *(Continued)*

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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.

REPORT OF THE DIRECTORS *(Continued)*

DIRECTORS' INTERESTS

As at 31st December, 2006, 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	–	304,120,178 *(Note)*	49.76
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% 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% 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% 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% and 0.43% of the issued share capital of PIL.*

The Company currently does not have any share option scheme.

Other than those disclosed in note 44 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.

REPORT OF THE DIRECTORS *(Continued)*

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, 2006, 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)*	–	304,120,178 (L)#	49.76
PIL	*(2)*	304,120,178 (L)#	–	49.76
Y.C. Chang & Sons Private Limited	*(3)*	–	304,120,178 (L)#	49.76

 # (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' Interest" 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.

REPORT OF THE DIRECTORS *(Continued)*

Save as disclosed above, there was no other person known to the Directors, other than the Directors, who, as at 31st December, 2006, 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 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, 2006, 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	15.2
Percentage of purchases attributable to the Group's five largest suppliers	39.6
Percentage of sales attributable to the Group's largest customer	10.8
Percentage of sales attributable to the Group's five largest customers	34.2

During the year, none of the Directors nor their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFITS SCHEME

Details of the Retirement Benefits Scheme are set out in note 13 to the financial statements.

PARTICULAR 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 21 under the Directors and Senior Management Profile section of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31st December, 2006, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 12,344 (2005: 6,580) full-time employees. Staff costs (including Directors' emoluments) amounted to US$51.5 million (2005: 36.6 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% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

REPORT OF THE DIRECTORS *(Continued)*

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 20th May, 2005, the Company 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 defines in the Listing Rules) and the single largest beneficial shareholder of the Company. A breach of the above conditions would 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.

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, 11th April, 2007

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, 2005 and for the six months ended 30th June, 2006;

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 2006 audit fees for the external auditors;

5. review of the "continuing connected transactions" set forth on page 45; and

6. review of the effectiveness of the internal control and risk management systems of the Company.

On 10th April, 2007, the Audit Committee met to review the Company's 2006 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with the 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, 2006 for public release.

The Audit Committee also recommended the re-appointment of Deloitte Touche Tohmatsu as the Group's external auditors for 2007 and that the related resolution shall be put forth for shareholders' consideration and approval at the forthcoming 2007 annual general meeting.

The Audit Committee has regular meetings at least twice a year. In 2006, a total of three meetings were convened and held and the attendance record is 100%.

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

Hong Kong, 11th April, 2007

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 was 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 remuneration of the Directors for the financial year of 2006;

2. formulated service contracts for the Company's executive Directors and senior management staff;

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

4. reviewed and made recommendations to the board on details of a share option scheme to be adopted by the Company; and

5. reviewed and made recommendations to the board on the ranking system within the Group.

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 90 to 91.

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

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

Hong Kong, 11th April, 2007

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SINGAMAS CONTAINER HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Singamas Container Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 126, which comprise the consolidated and Company balance sheets as at 31st December, 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong
11th April , 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2006

	Notes	2006 US$'000	2005 US$'000
Revenue	6	**924,011**	842,936
Other income	8	**3,556**	1,257
Changes in inventories of finished goods and work in progress		**22,335**	(127,544)
Raw materials and consumables used		**(767,681)**	(547,779)
Staff costs		**(51,516)**	(36,640)
Depreciation and amortisation expense		**(12,589)**	(10,409)
Other expenses		**(87,567)**	(64,417)
Profit from operations		**30,549**	57,404
Finance costs	9	**(17,732)**	(9,397)
Investment income	10	**1,540**	1,186
Changes in fair value of derivative financial instruments		**7,468**	67
Share of results of associates		**1,189**	1,208
Share of results of jointly controlled entities		**(477)**	9,683
Profit before taxation	11	**22,537**	60,151
Income tax expense	14	**(1,219)**	(6,146)
Profit for the year		**21,318**	54,005
Attributable to:			
Equity holders of the Company		**18,096**	44,899
Minority interests		**3,222**	9,106
		21,318	54,005
Earnings per share – basic	16	**US2.96 cents**	US7.35 cents

CONSOLIDATED BALANCE SHEET

As at 31st December, 2006

	Notes	2006 US$'000	2005 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**169,315**	99,557
Patents	*18*	**1,120**	850
Goodwill	*19*	**5,598**	1,691
Interests in associates	*22*	**13,261**	5,419
Interests in jointly controlled entities	*23*	**19,664**	37,427
Available-for-sale investments	*24*	**3,174**	1,614
Prepaid lease payments	*25*	**53,992**	46,857
Deferred tax assets	*38*	**1,979**	243
Other assets	*26*	**489**	452
		268,592	194,110
Current assets			
Inventories	*27*	**240,875**	115,518
Trade receivables	*28*	**179,884**	65,133
Prepayments and other receivables	*29*	**183,061**	31,395
Amounts due from fellow subsidiaries		**270**	256
Amounts due from associates		**11**	376
Amounts due from jointly controlled entities		**475**	840
Amount due from a related company	*30*	**879**	1,072
Tax recoverable		**185**	64
Derivative financial instruments	*31*	**7,535**	67
Prepaid lease payments	*25*	**1,221**	1,042
Bank balances and cash		**80,659**	102,604
		695,055	318,367
Total assets		**963,647**	512,477

CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31st December, 2006

	Notes	2006 US$'000	2005 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	35	**7,844**	7,844
Share premium		**98,011**	98,011
Accumulated profits		**106,345**	100,211
Other reserves		**13,946**	9,648
Equity attributable to equity holders of the Company		**226,146**	215,714
Minority interests		**43,135**	39,252
Total equity		**269,281**	254,966
Non-current liability			
Bank borrowings	37	**99,037**	110,387
Deferred payable	34	**1,992**	–
		101,029	110,387
Current liabilities			
Trade payables	32	**130,788**	41,784
Accruals and other payables		**91,085**	40,311
Bills payable	33	**130,427**	13,011
Amount due to ultimate holding company		**1,611**	880
Amounts due to associates		**2,283**	837
Amounts due to jointly controlled entities		**71**	80
Bank borrowings	37	**233,792**	48,015
Deferred payable	34	**200**	–
Tax payable		**3,080**	2,206
		593,337	147,124
Total liabilities		**694,366**	257,511
Total equity and liabilities		**963,647**	512,477

The consolidated financial statements on pages 57 to 126 were approved and authorised for issue by the Board of Directors on 11th April, 2007 and are signed on its behalf by:

Teo Siong Seng
Director

Teo Tiou Seng
Director

BALANCE SHEET

As at 31st December, 2006

	Notes	2006 US$'000	2005 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**4,588**	4,808
Interests in subsidiaries	*20*	**156,563**	125,573
Interests in associates	*22*	**16,757**	9,957
Interests in jointly controlled entities	*23*	**7,129**	14,952
Available-for-sale investments	*24*	**2,229**	611
		187,266	155,901
Current assets			
Prepayments and other receivables		**10,354**	1,673
Amounts due from subsidiaries	*21*	**116,343**	78,886
Amount due from a fellow subsidiary		**10**	1
Amounts due from associates		**2,703**	3,307
Amounts due from jointly controlled entities		**502**	948
Derivative financial instruments	*31*	**7,535**	67
Bank balances and cash		**36,176**	31,010
		173,623	115,892
Total assets		**360,889**	271,793

BALANCE SHEET *(Continued)*

As at 31st December, 2006

	Notes	2006 US$'000	2005 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*35*	**7,844**	7,844
Share premium	*36*	**98,011**	98,011
Accumulated profits	*36*	**47,776**	8,390
		153,631	114,245
Non-current liability			
Bank borrowings	*37*	**97,500**	108,900
Deferred payable	*34*	**1,992**	–
		99,492	108,900
Current liabilities			
Accruals and other payables		**2,406**	15,931
Bills payable		**48**	1,210
Amounts due to subsidiaries	*21*	**80,378**	22,831
Amount due to ultimate holding company		**1,611**	880
Amounts due to associates		**436**	296
Bank borrowings	*37*	**21,400**	7,500
Deferred payable	*34*	**200**	–
Tax Payable		**1,287**	–
		107,766	48,648
Total liabilities		**207,258**	157,548
Total equity and liabilities		**360,889**	271,793

Teo Siong Seng
Director

Teo Tiou Seng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2006

	Share capital US$'000	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Revaluation reserve US$'000	Accumulated profits US$'000	Attributable to equity holders of the Company US$'000	Minority interests US$'000	Total US$'000
At 1st January, 2005	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 interests	–	–	–	–	–	–	–	–	(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
At 1st January, 2006	7,844	98,011	1,160	6,417	2,071	–	100,211	215,714	39,252	254,966
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	1,198	–	–	–	–	1,198	378	1,576
Profit for the year	–	–	–	–	–	–	18,096	18,096	3,222	21,318
Total recognised income for the year	–	–	1,198	–	–	–	18,096	19,294	3,600	22,894
Increase in fair value of a former jointly controlled entity attributable to the Group	–	–	–	–	–	1,361	–	1,361	–	1,361
Partial disposal of a subsidiary	–	–	–	–	–	–	–	–	3,949	3,949
Capital contribution from minority interests	–	–	–	–	–	–	–	–	1,512	1,512
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(5,178)	(5,178)
Dividend paid to equity holders of the Company	–	–	–	–	–	–	(10,223)	(10,223)	–	(10,223)
Transfer from accumulated profits	–	–	–	1,284	455	–	(1,739)	–	–	–
At 31st December, 2006	**7,844**	**98,011**	**2,358**	**7,701**	**2,526**	**1,361**	**106,345**	**226,146**	**43,135**	**269,281**
Attributable to:										
– The Company and subsidiaries	7,844	98,011	1,353	6,583	2,084	1,361	71,239	188,475	43,135	231,610
– Associates	–	–	375	649	20	–	4,101	5,145	–	5,145
– Jointly controlled entities	–	–	630	469	422	–	31,005	32,526	–	32,526
	7,844	**98,011**	**2,358**	**7,701**	**2,526**	**1,361**	**106,345**	**226,146**	**43,135**	**269,281**

Pursuant to the relevant People's Republic of China ("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, 2006

	2006	2005
	US$'000	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**22,537**	60,151
Adjustments for:		
Depreciation	**10,958**	8,652
Loss on disposal of property, plant and equipment	**1,078**	271
Gain on partial disposal of a subsidiary	**(172)**	–
Share of results of associates	**(1,189)**	(1,208)
Share of results of jointly controlled entities	**477**	(9,683)
Amortisation of patents	**232**	170
Amortisation of prepaid lease payments	**1,200**	793
Amortisation of other assets	**199**	794
Allowance for write-down of inventories	**–**	7,354
Allowance for bad and doubtful debts	**–**	2,515
Increase in fair value of derivative financial instruments	**(7,468)**	(67)
Impairment of goodwill	**–**	880
Investment income	**(1,540)**	(1,186)
Interest expense	**16,977**	8,440
Imputed interest on deferred payble	**22**	–
Operating cash flows before movements in working capital	**43,311**	77,876
(Increase) decrease in inventories	**(78,218)**	135,324
(Increase) decrease in trade receivables	**(87,522)**	17,583
(Increase) decrease in prepayments and other receivables	**(129,826)**	61,039
Increase in amounts due from fellow subsidiaries	**(14)**	(110)
Decrease (increase) in amounts due from associates	**365**	(353)
(Increase) decrease in amounts due from jointly controlled entities	**(11,641)**	13,854
Decrease (increase) in amount due from a related company	**193**	(782)
Increase (decrease) in trade payables	**70,080**	(56,708)
Increase (decrease) in accruals and other payables	**31,518**	(31,046)
Increase (decrease) in bills payable	**97,650**	(99,856)
Increase (decrease) in amount due to ultimate holding company	**731**	(581)
Decrease in deferred payable	**(242)**	–
Increase in amounts due to associates	**1,446**	567
Decrease in amounts due to jointly controlled entities	**(9)**	(16,060)
Cash (used in) generated from operations	**(62,178)**	100,747
Interest paid	**(16,977)**	(8,440)
Income tax paid	**(2,202)**	(5,646)
Net cash (used in) from operating activities	**(81,357)**	86,661

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 31st December, 2006

	Note	2006 US$'000	2005 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase of property, plant and equipment		**(66,542)**	(22,119)
Decrease in pledged deposit		**–**	6,790
Increase in prepaid lease payments		**(5,127)**	(24,267)
Additions to other assets		**(209)**	(217)
Increase in investment in associates		**(6,800)**	(1,200)
Increase in investment in jointly controlled entities		**(1,200)**	(14,473)
Increase in available-for-sale investments		**(1,560)**	–
Increase in patents		**(502)**	–
Proceeds on disposal of property, plant and equipment		**1,003**	976
Increase in interest in subsidiaries		**–**	(845)
Proceeds on partial disposal of a subsidiary		**4,121**	–
Cash inflow arising on acquisition of subsidiaries	39	**5,985**	–
Cash inflow arising on consolidation of former jointly controlled entities	43	**–**	19,533
Dividends received from associates and jointly controlled entities		**15,664**	6,375
Interest received		**1,323**	1,030
Dividend income from unlisted equity investment		**217**	156
Net cash used in investing activities		**(53,627)**	(28,261)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**231,384**	360,126
Repayment of bank loans		**(104,321)**	(358,027)
Dividends paid to minority interests		**(5,178)**	(4,056)
Capital contributed by minority shareholders		**1,512**	–
Dividends paid to equity holders of the Company		**(10,223)**	(16,486)
Net cash from (used in) financing activities		**113,174**	(18,443)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(21,810)**	39,957
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**102,604**	62,676
Effect of foreign exchange rate changes		**(135)**	(29)
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		**80,659**	102,604
BALANCE OF CASH AND CASH EQUIVALENTS REPRESENTED BY:			
Bank balances and cash		**80,659**	102,604

NOTES TO THE FINANCIAL STATEMENTS

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 financial statements are presented in United States dollars ("US$"), which is the same as the functional currency of the Company.

The Group is principally engaged in the businesses of manufacturing, container depot/terminal and mid-stream operations.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("INTs") ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning either on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 (Amendments) "Financial guarantee contracts" which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

Financial guarantee contracts *(Continued)*

The Group acts as the issuer of the financial guarantee contracts

Prior to 1st January, 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 "Insurance Contract" and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Financial guarantee contracts granted to the subsidiaries by the Company

Prior to 1st January, 2006, financial guarantee contracts granted by the Company to its subsidiaries' lenders were not recognised but disclosed as related party transactions and contingent liabilities.

Upon application of these amendments, financial guarantee contracts granted by the Company to its subsidiaries and not designated as fair value through profit or loss are recognised initially at its fair value. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new standards, amendment or INTs that have been issued but are not yet effective. The directors of the Company anticipate the application of these standard, amendment or INTs will have no material impact on the results and the financial position of the Group and the Company.

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

Potential impact arising on the new accounting standards not yet effective *(Continued)*

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC)– INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC)– INT 8	Scope of HKFRS 2 [4]
HK(IFRIC)– INT 9	Reassessment of Embedded Derivatives [5]
HK(IFRIC)– INT 10	Interim Financial Reporting and Impairment [6]
HK(IFRIC)– INT 11	HKFRS 2 – Group and Treasury Share Transactions [7]
HK(IFRIC)– INT 12	Service Concession Arrangement [8]

[1] *Effective for annual periods beginning on or after 1st January, 2007*
[2] *Effective for annual periods beginning on or after 1st January, 2009*
[3] *Effective for annual periods beginning on or after 1st March, 2006*
[4] *Effective for annual periods beginning on or after 1st May, 2006*
[5] *Effective for annual periods beginning on or after 1st June, 2006*
[6] *Effective for annual periods beginning on or after 1st November, 2006*
[7] *Effective for annual periods beginning on or after 1st March, 2007*
[8] *Effective for annual periods beginning on or after 1st January, 2008*

3 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 the 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.

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of Consolidation *(Continued)*

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 subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets 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 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 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 consolidated 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 identified impairment loss. When the Group's share of 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) the Group discontinues recognising its share of future losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

(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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Interests in joint ventures *(Continued)*

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. When the Group's share of losses of a jointly controlled entity in excess of the Group's interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group net investment in the jointly controlled entity), the Group discontinues recognising its share of future losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of that jointly controlled entity.

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 jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

(f) Goodwill

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

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets and liabilities of the relevant subsidiary at the date of acquisition.

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, 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 relevant 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.

Capitalised goodwill arising on an acquisition of a subsidiary presented separately in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill *(Continued)*

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill arising from an acquisition 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, the attributable amount of goodwill capitalised 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 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 to10 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

Assets under construction represents property, plant and equipment in the course of construction for production or for its own use purposes. Assets under construction and freehold land are stated at cost less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences where the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the item and is dealt with in the income statement in the year in which the item is derecognised.

(i) Impairment (other than goodwill)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 5 to 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. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Trade receivables, other receivables, amounts due from fellow subsidiaries, associates, jointly controlled entities and a related company, and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at fair value on initial recognition and subsequently measured at amortised cost using the effective interest 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

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 any impairment loss. The amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity 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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when fall due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group and the Company measure the financial guarantee contract at the higher of (i) the amount determined in accordance with HKAS37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

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 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 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transfer and the Group or the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 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 sold or services provided in the normal course of business less returns and allowances.

Revenue from 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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective 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) Government grant

A government grant is recognised when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. A government grant that becomes receivable as compensation for expense or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, is recognised as income of the period in which it becomes receivable.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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 consolidated 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 recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable 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 asset to be recovered.

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

(q) 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 US$, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements and the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Foreign currencies *(Continued)*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the respective functional currency 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 retranslated.

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 the 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.

(r) Retirement benefit costs

In respect of the subsidiaries in the PRC, the Group contributes to a State-sponsored retirement benefit schemes operated by the PRC government. Contribution payable by the Group to the schemes is charged to the income statement when employees have rendered services entitling them to the contributions.

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 when employees have rendered services entitling them to the contributions.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Retirement benefit costs *(Continued)*

Effective from 1st December, 2000, the Group operates and contributes to Mandatory Provident Fund ("MPF") schemes which are 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 when employees have rendered services entitling them to the contributions.

(s) Borrowing costs

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

4 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 receivable taking into consideration the estimation of future cash flows . The allowance is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows. 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 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, 2006 was US$5,598,000 (2005: US$1,691,000), no impairment loss was recognised during 2006 (impairment loss of US$880,000 was recognised in 2005). Details of the impairment loss calculation are provided in note 19.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4 KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Recognition of deferred tax asset in respect of unused tax losses

At the balance sheet date, the Group has unused tax losses of US$32,672,000 (2005: US$18,496,000) available for offset against future profits, a deferred tax asset of US$21,329,000 (2005: nil) in relation to unused tax losses has been recognised as set out in note 38. No deferred tax asset has been recognised on the tax losses of US$11,343,000 (2005: US$18,496,000) due to the unpredictability of future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5 FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include equity, borrowings, trade receivables, trade and bills payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

As at 31st December, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from the carrying amount of the respective recognised financial 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

5 FINANCIAL INSTRUMENTS *(Continued)*

a. Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

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.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 22% of the Group's cost are denominated in currencies other than the functional currency of the relevant group entity, whilst almost 97% of sales are denominated in the group entity's functional currency. The Company has entered into a foreign currency swap contract to eliminate the currency exposures of the Group.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

b. Fair value of financial instruments

The fair value of the financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the application yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

6 REVENUE

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

	2006	2005
	US$'000	US$'000
Manufacturing	**890,376**	809,166
Container depot/terminal	**20,094**	18,501
Mid-stream	**13,541**	15,269
	924,011	842,936

7 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purpose, the Group is currently organised into three operating divisions – 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:

Manufacturing	–	manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, other specialised containers, container parts and chassis.
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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7 BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below.

2006

	Manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
REVENUE					
External sales	890,376	20,094	13,541	–	924,011
Inter-segment sales	–	3,484	110	(3,594)	–
Total	890,376	23,578	13,651	(3,594)	924,011

Inter-segment sales are charged at prevailing market prices.

	Manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
SEGMENT RESULTS	20,834	6,389	3,326		30,549
Finance costs					(17,732)
Investment income					1,540
Changes in fair value of derivative financial instruments					7,468
Share of results of associates	(161)	1,350	–		1,189
Share of results of jointly controlled entities	(1,239)	762	–		(477)
Profit before taxation					22,537
Income tax expense	(100)	(820)	(299)		(1,219)
Profit for the year					21,318

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7 BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2006 *(Continued)*

	Manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
OTHER INFORMATION				
Capital expenditure	67,684	4,440	47	72,171
Depreciation and amortisation	9,839	2,741	9	12,598
BALANCE SHEET				
ASSETS				
Segment assets	859,422	61,822	4,142	925,386
Interests in associates	8,080	5,181	–	13,261
Interests in jointly controlled entities	7,233	12,431	–	19,664
Unallocated assets				5,336
Consolidated total assets				963,647
LIABILITIES				
Segment liabilities	345,057	11,992	1,409	358,458
Unallocated liabilities				335,908
Consolidated total liabilities				694,366

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7 BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2005

	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.

	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					(9,397)
Investment income					1,186
Changes in fair value of derivative financial instruments					67
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7 BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2005 *(Continued)*

	Manufacturing	Container depot/terminal	Mid-stream	Total
	US$'000	US$'000	US$'000	US$'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	406,464	56,258	4,988	467,710
Interests in associates	1,441	3,978	–	5,419
Interests in jointly controlled entities	26,451	10,976	–	37,427
Unallocated assets				1,921
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

The Group's total assets less current liabilities and the Group's net current assets as at 31st December, 2006 amounted to US$370,310,000 (2005: US$365,353,000) and US$101,718,000 (2005: US$171,243,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7 BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's operations are located in Hong Kong, the PRC, Indonesia and Thailand. The Group's 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	
	2006	2005
	US$'000	US$'000
United States	**253,456**	181,071
Europe	**201,415**	289,122
Hong Kong	**159,024**	167,704
Taiwan	**67,889**	26,978
PRC	**64,398**	84,404
South Korea	**55,734**	39,767
Others	**122,095**	53,890
	924,011	842,936

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**	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
PRC	**863,520**	398,886	**71,179**	41,502
Hong Kong	**50,354**	53,886	**815**	4,799
Others	**11,512**	14,938	**177**	85
	925,386	467,710	**72,171**	46,386

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

8 OTHER INCOME

Other income included US$1,402,000 (2005: nil) being tax refund on capital investment in a subsidiary in the PRC.

9 FINANCE COSTS

	2006 **US$'000**	2005 US$'000
Interest on bank loans and overdrafts wholly repayable within five years	**16,977**	8,440
Imputed interest on deferred payable	**22**	–
Bank charges	**733**	957
	17,732	9,397

10 INVESTMENT INCOME

	2006 **US$'000**	2005 US$'000
Interest earned on bank deposits	**1,323**	1,030
Dividend income from unlisted equity investment	**217**	156
	1,540	1,186

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11 PROFIT BEFORE TAXATION

	2006 **US$'000**	2005 US$'000
Profit before taxation has been arrived at after charging (crediting) the following:		
Auditors' remuneration	**407**	320
Staff costs, including directors' emoluments		
– Salaries and other benefits	**49,771**	35,006
– Retirement benefit costs *(note 13)*	**1,745**	1,634
	51,516	36,640
Depreciation and amortisation		
Depreciation of property, plant and equipment	**10,958**	8,652
Amortisation		
– Patents	**232**	170
– Other assets	**199**	794
– Prepaid lease payments in respect of leasehold land	**1,200**	793
	12,589	10,409
Operating lease charges		
– Land and buildings	**2,541**	2,090
– Plant and machinery	**85**	76
	2,626	2,166
Share of taxation of associates	**257**	245
Share of taxation of jointly controlled entities	**223**	1,070
	480	1,315
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 in 2005)	**848,079**	746,134
Gain on partial disposal of a subsidiary	**(172)**	–
Loss on disposal of property, plant and equipment	**1,078**	271
Net foreign exchange loss	**1,962**	672

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

12 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2005: 9) directors were as follows:

2006

	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	**–**	**301**	**195**	**109**	**37**	**–**	**–**	**–**	**–**	**642**
Contributions to retirement benefits scheme	**–**	**15**	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**17**
Performance related incentive payments *(note)*	**–**	**–**	**17**	**9**	**–**	**–**	**–**	**–**	**–**	**26**
	39	**342**	**235**	**141**	**62**	**28**	**26**	**28**	**26**	**927**

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

The above analysis includes 3 (2005: 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:–

	2006 US$'000	2005 US$'000
Salaries and other benefits	**319**	283
Retirement benefit costs	**15**	13
	334	296

Their emoluments were within the following band:

	2006 Number of individuals	2005 Number of individuals
US$128,748 – US$193,122 (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13 RETIREMENT BENEFIT COSTS *(Continued)*

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$1,745,000 (2005: US$1,634,000). At the balance sheet date, contributions payable to the retirement schemes totalling US$147,000 (2005: US$129,000) and retirement benefit provision made for the local employees in Indonesia totalling US$900,000 (2005: US$892,000) are included in accruals and other payables.

No forfeited contributions of the Group's defined contribution retirement schemes was 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided for at the rate of 17.5% (2005: 17.5%) 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.

	2006 **US$'000**	2005 US$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**1,638**	295
Overseas taxation		
– Current year	**1,623**	6,190
– Prior year overprovision	**(306)**	(305)
	2,955	6,180
Deferred tax:		
Current year credit	**(1,736)**	(34)
Income tax expense for the year	**1,219**	6,146

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14 INCOME TAX EXPENSE *(Continued)*

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

	2006		2005	
	US$'000	**%**	US$'000	%
Profit before taxation	**22,537**		60,151	
Tax at the Hong Kong Profits Tax rate of 17.5% (2005: 17.5%)	**3,944**	**17.50**	10,526	17.50
Tax effect of share of results of associates	**(208)**	**(0.92)**	(211)	(0.35)
Tax effect of share of results of jointly controlled entities	**83**	**0.37**	(1,695)	(2.82)
Tax effect of expenses that are not deductible in determining taxable profit	**1,064**	**4.72**	874	1.45
Tax effect of income that is not taxable in determining taxable profit	**(1,606)**	**(7.12)**	(795)	(1.32)
Tax effect on tax losses arising in the current year not recognised	**1,786**	**7.92**	671	1.12
Tax effect of utilisation of tax losses not previously recognised	**(3,038)**	**(13.48)**	(162)	(0.27)
Overprovision in prior years	**(306)**	**(1.36)**	(305)	(0.51)
Tax effect on income tax on concessionary rate	**(1,955)**	**(8.67)**	(2,163)	(3.60)
Effect of different tax rates of subsidiaries, operating in other jurisdictions	**1,517**	**6.73**	(569)	(0.94)
Others	**(62)**	**(0.28)**	(25)	(0.04)
	1,219	**5.41**	6,146	10.22

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

15 DIVIDENDS

	2006	2005
	US$'000	US$'000
Dividends recognised as distributions during the year:		
Interim, paid - HK4 cents (2005: HK9 cents) per ordinary share	**3,141**	7,078
Final, paid - HK9 cents (2005: HK12 cents) per ordinary share	**7,082**	9,408
	10,223	16,486

The final dividend of HK3 cents (2005: HK9 cents) per ordinary share, totalling US$2,357,000 (2005: US$7,082,000), has been proposed by the Directors and is subject to approval by the shareholders in forthcoming 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:

	2006	2005
	US$'000	US$'000
Earnings:		
Earnings for the purposes of calculating earnings per share	**18,096**	44,899
Number of shares:		
Number of ordinary shares for the purposes of calculating earnings per share	**611,228,760**	611,228,760

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17 PROPERTY, PLANT AND EQUIPMENT

	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
Group							
Cost							
At 1st January, 2005	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 39)*	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
Additions	59,194	–	1,039	4,397	813	1,099	66,542
Disposals	–	–	(2,503)	(8,100)	(172)	(735)	(11,510)
Acquisition of subsidiaries	679	–	6,291	8,213	138	179	15,500
Transfer from assets under construction	(60,283)	–	30,243	30,040	–	–	–
Translation differences	156	–	426	319	32	24	957
At 31st December, 2006	16,984	3,283	92,430	112,329	6,318	7,268	238,612
Accumulated depreciation							
At 1st January, 2005	–	–	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 39)*	–	–	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
Charge for the year	–	–	2,904	6,624	573	857	10,958
Eliminated on disposals	–	–	(1,696)	(6,953)	(151)	(630)	(9,430)
Translation differences	–	–	57	116	18	12	203
At 31st December, 2006	–	–	15,736	45,561	4,418	3,582	69,297
Net book value							
At 31st December, 2006	**16,984**	**3,283**	**76,694**	**66,768**	**1,900**	**3,686**	**169,315**
At 31st December, 2005	17,238	3,283	42,463	31,686	1,529	3,358	99,557

Plant and machinery with an aggregate net book value of US$487,000 as at 31st December, 2006 (2005: US$708,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. No amount of facilities utilised as at 31st December, 2006 and 31st December, 2005.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Freehold land US$'000	Leasehold land and buildings US$'000	Site improvements US$'000	Total US$'000
Group				
At 31st December, 2006				
Held in Hong Kong				
On short lease				
(less than 10 years)	–	–	113	113
Held outside Hong Kong				
On medium term lease				
(20 to 50 years)	–	5,746	70,835	76,581
Freehold land	3,283	–	–	3,283
	3,283	5,746	70,948	79,977
At 31st December, 2005				
Held in Hong Kong				
On short lease				
(less than 10 years)	–	–	12	12
Held outside Hong Kong				
On medium term lease				
(20 to 50 years)	–	6,039	36,412	42,451
Freehold land	3,283	–	–	3,283
	3,283	6,039	36,424	45,746

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Land and buildings together with the prepaid lease payments (note 25) held outside Hong Kong with net book value of US$4,123,000 and US$1,231,000 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.

	Leasehold land and buildings US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Company				
Cost				
At 1st January, 2005	–	1,041	246	1,287
Additions	4,287	484	–	4,771
Disposals	–	(86)	–	(86)
At 31st December, 2005	4,287	1,439	246	5,972
Additions	–	143	–	143
Disposals	–	(9)	–	(9)
At 31st December, 2006	4,287	1,573	246	6,106
Accumulated depreciation				
At 1st January, 2005	–	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
Charge for the year	113	209	37	359
Eliminated on disposals	–	(5)	–	(5)
At 31st December, 2006	169	1,152	197	1,518
Net book value				
At 31st December, 2006	**4,118**	**421**	**49**	**4,588**
At 31st December, 2005	4,231	491	86	4,808

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2006	2005
	US$'000	US$'000
Company		
Leasehold land and buildings held outside Hong Kong on medium term lease (20 to 50 years)	**4,118**	4,231

18 PATENTS

Group

	US$'000
Cost	
At 1st January, 2005 and 31st December, 2005	3,031
Addition	502
At 31st December, 2006	3,533
Amortisation	
At 1st January, 2005	2,011
Charge for the year	170
At 31st December, 2005	2,181
Charge for the year	232
At 31st December, 2006	2,413
Net book value	
At 31st December, 2006	**1,120**
At 31st December, 2005	850

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19 GOODWILL

Group

	US$'000
Cost	
At 1st January, 2005	880
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
Acquisition of subsidiaries	3,907
At 31st December, 2006	6,478
Impairment	
At 1st January, 2005	–
Impairment loss recognised	880
At 31st December, 2005 and 31st December, 2006	880
Net book value	
At 31st December, 2006	**5,598**
At 31st December, 2005	1,691

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19 GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to three 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.

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%. The rate used to discount the forecast cash flows is 10%.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	US$'000	US$'000
Unlisted shares and investments, at cost	**156,563**	125,573

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20 INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of principal subsidiaries as at 31st December, 2006 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 and specialised containers in the PRC
Guangdong Shun An Da Pacific Container Co., Ltd. * △	PRC	100%	US$27,900,000	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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Hui Zhou Pacific Container Co., Ltd. * △	PRC	100%	US$40,000,000	Manufacturing of dry freight containers
Ningbo Pacific Container Co., Ltd. *#	PRC	80%	US$20,000,000	Manufacturing of dry freight and specialised containers
P.T. Java Pacific	Indonesia	72%	US$10,000,000	Manufacturing of dry freight containers
Qingdao Pacific Container Co., Ltd. *#	PRC	95%	US$12,000,000	Manufacturing of dry freight and specialised containers
Qingdao Singamas Industrial Vehicle Co., Ltd. *#	PRC	49.5%	RMB20,000,000	Manufacturing of chassis
Singamas Logistics (Qingdao) Co., Ltd. # (formerly known as "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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Singamas Container Holdings Ltd. *	Bahamas	100%	US$7,200,000	Investment holding and marketing of dry freight containers in Indonesia
Singamas Container Industry Co., Ltd. * #	PRC	75%	US$5,100,000	Manufacturing of collapsible flatrack and specialised containers
Singamas Management Services Ltd. *	British Virgin Islands	100%	US$1,000	Provision of management services and marketing containers in the PRC
Singamas Refrigerated Container Ltd. *	British Virgin Islands	100% 100%	Ordinary US$100,000 Redeemable preferred US$19,400,000	Investment holding
Singamas Terminals (China) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding and marketing of container depot services in the PRC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20 INTERESTS IN SUBSIDIARIES *(Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20 INTERESTS IN SUBSIDIARIES *(Continued)*

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

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

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

During the year, the Company entered into an agreement to acquire an additional 40% equity interest in Qingdao Pacific Container Co, Ltd ("Qingdao Pacific"), a former jointly controlled entity of the Company. On completion of this transaction and following certain amendments to the terms of the joint venture agreements for Qingdao Pacific and Qingdao Singamas Industrial Vehicle Co, Ltd ("Qingdao Singamas"), also a former jointly controlled entity of the Company, the Company took control over the board of directors of both Qingdao Pacific and Qingdao Singamas. In addition, the joint venture partner of Qingdao Pacific and Qingdao Singamas agreed to receive a fixed sum of guarantee payments annually in lieu of sharing any profit and loss and the residual interests in the assets of Qingdao Pacific and Qingdao Singamas thereafter. Accordingly, Qingdao Pacific and Qingdao Singamas have been accounted for as wholly owned subsidiaries of the Group since 1st June, 2006.

21 AMOUNTS DUE FROM/TO SUBSIDIARIES

Company

The amounts due from/to subsidiaries are unsecured and repayable on demand. Included in the amounts due from subsidiaries is an amount of approximately US$64,607,000 (2005: US$39,664,000) which bears interest at a spread of no more than 0.25% 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.

22 INTERESTS IN ASSOCIATES

	Group		Company	
	2006 US$'000	2005 US$'000	**2006 US$'000**	2005 US$'000
Unlisted shares and investments:				
At cost	**10,909**	4,109	**16,757**	9,957
Share of post-acquisition reserves, net of dividend received	**2,352**	1,310	**–**	–
	13,261	5,419	**16,757**	9,957

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

22 INTERESTS IN ASSOCIATES *(Continued)*

Particulars of principal associates as at 31st December, 2006 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 (Guang Zhou) Co., Ltd. * #	Incorporated	PRC	20%	20%	Manufacturing of dry freight containers
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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

22 INTERESTS IN ASSOCIATES *(Continued)*

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

	2006	2005
	US$'000	US$'000
Total assets	**127,660**	21,366
Total liabilities	**(71,647)**	(7,500)
Net assets	**56,013**	13,866
Group's share of associates' net assets	**13,261**	5,419

	2006	2005
	US$'000	US$'000
Revenue	**62,949**	18,120
Profit for the year	**3,064**	3,497
Group's share of associates' profit for the year	**1,189**	1,208

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		**Company**	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments:				
At cost	**18,287**	24,660	**7,129**	14,952
Share of post-acquisition reserves, net of dividend received	**1,377**	12,767	**–**	–
	19,664	37,427	**7,129**	14,952

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

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

	Group
	Premium
	US$'000
Cost	
At 1st January, 2005	1,457
Arising on acquisition of additional equity interest of a jointly controlled entity	234
Elimination on consolidation of a former jointly controlled entity	(1,691)
At 31st December, 2005 and 31st December, 2006	–

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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, 2006 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
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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

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

	2006	2005
	US$'000	US$'000
Total assets	**114,776**	165,818
Total liabilities	**(49,612)**	(68,354)
Net assets	**65,164**	97,464
Group's share of jointly controlled entities' net assets	**19,664**	37,427

	2006	2005
	US$'000	US$'000
Revenue	**143,676**	301,486
(Loss) profit for the year	**(576)**	18,289
Group's share of jointly controlled entities' (loss) profit for the year	**(477)**	9,683

24 AVAILABLE-FOR-SALE INVESTMENTS

The amount at 31st December, 2006 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.

The unquoted equity investments included 14.02% (2005: 14.02%) equity interest of Xiamen Superchain Logistics Development Co., Ltd, a logistic company in PRC; and 10% (2005: nil) equity interest of Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd, a company involved in manufacturing of chassis.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25 PREPAID LEASE PAYMENTS

	2006	2005
	US$'000	US$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	**69**	71
Leasehold land outside Hong Kong:		
Medium-term lease	**55,144**	47,828
	55,213	47,899
Analysed for reporting purpose as:		
Amount shown under non-current assets	**53,992**	46,857
Amount shown under current assets	**1,221**	1,042
	55,213	47,899

26 OTHER ASSETS

	Group	
	2006	2005
	US$'000	US$'000
At 1st January	**452**	879
Acquired on consolidation of former jointly controlled entities	**–**	150
Amount capitalised	**209**	217
Acquisition of subsidiaries	**27**	–
Amount amortised	**(199)**	(794)
At 31st December	**489**	452

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27 INVENTORIES

	Group	
	2006	2005
	US$'000	US$'000
Raw materials	**149,674**	71,001
Work in progress	**16,286**	7,101
Finished goods	**74,915**	37,416
	240,875	115,518

28 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, 2006 is as follows:

	Group	
	2006	2005
	US$'000	US$'000
0 to 30 days	**100,506**	32,709
31 to 60 days	**45,329**	9,205
61 to 90 days	**19,410**	6,334
91 to 120 days	**12,951**	7,369
Over 120 days	**1,688**	9,516
	179,884	65,133

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29 PREPAYMENTS AND OTHER RECEIVABLES

As at 31st December, 2006, the Group advanced US$105,595,000 (2005: US$12,823,000) to certain suppliers as deposits for raw materials purchases.

30 AMOUNT DUE FROM A RELATED COMPANY

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

	Group		
Name	**Balance as at 31.12.2006 US$'000**	Balance as at 31.12.2005 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (H.K.) Limited	**879**	1,072	1,819

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

	Group	
	2006 US$'000	2005 US$'000
0 to 30 days	**634**	635
31 to 60 days	**245**	423
61 to 90 days	**–**	10
over 90 days	**–**	4
	879	1,072

Amount due from a related company represents trade receivable balances due from Pacific International Lines (H.K.) Limited ("PILHK"), 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents interest rate swap contracts and a foreign currency swap contract entered into by the Group.

The Company uses interest rate swap and currency swap to manage its exposure to interest rate and foreign currency movements. As at 31st December, 2006, the Company has outstanding interest rate swap contracts and a currency swap contract with an aggregate notional amount of US$137.5 million and US$77.5 million (2005: US$50 million and nil) respectively. The fair value of swap contracts as at 31st December, 2006 was estimated at US$7,535,000 (2005: US$67,000). This amount was assessed by the independent third party based on discounted cash flow analysis at the balance sheet date.

Major terms of the interest rate swaps are set out below:

Notional amount	**Maturity**	**Swaps**
US$50,000,000	03/07/2011	LIBOR minus certain agreed basis points for LIBOR multiplied by a variable factor
US$87,500,000	20/05/2010	LIBOR minus certain agreed basis points for LIBOR multiplied by a variable factor

Major terms of the currency swap are set out below:

Notional amount	**Maturity**	**Exchange rates**
US$77,500,000	17/08/2009	Notional amount multiplied by a variable factor for an agreed RMB/US$ exchange rate

32 TRADE PAYABLES

The aged analysis of trade payables at 31st December, 2006 is as follows:

	Group	
	2006	2005
	US$'000	US$'000
0 to 30 days	**61,252**	16,712
31 to 60 days	**22,851**	8,650
61 to 90 days	**18,280**	4,718
91 to 120 days	**16,085**	7,152
Over 120 days	**12,320**	4,552
	130,788	41,784

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

33 BILLS PAYABLE

The aged analysis of bills payable at 31st December, 2006 is as follows:

	Group	
	2006	2005
	US$'000	US$'000
0 to 30 days	**61,407**	3,801
31 to 60 days	**38,777**	3,311
61 to 90 days	**22,180**	2,939
91 to 120 days	**4,708**	1,968
Over 120 days	**3,355**	992
	130,427	13,011

34 DEFERRED PAYABLE

The joint venture partner of Qingdao Pacific and Qingdao Singamas agreed to receive a fixed sum of guarantee payments annually in lieu of sharing any profit and loss and the residual interests in the assets of Qingdao Pacific and Qingdao Singamas thereafter. All future guarantee payments are discounted at the prevailing market interest rate on the date of acquisition and accounted for as deferred payable.

Group and Company

	US$'000
At 1st January, 2006	–
Acquisition of subsidiaries	2,412
Imputed interest on deferred payable	22
	2,434
Payment for the year	(242)
At 31st December, 2006	2,192
Analysed for reporting purpose as:	
Amount shown under non-current assets	1,992
Amount shown under current assets	200
	2,192

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

35 SHARE CAPITAL

	Number of shares					
	2006	2005	**2006**	**2006**	2005	2005
			US$'000	**HK$'000**	US$'000	HK$'000
Authorised:						
Ordinary shares of						
HK$0.10 each	**750,000,000**	750,000,000	**9,637**	**75,000**	9,637	75,000
Issued and fully paid:						
Ordinary shares of						
HK$0.10 each	**611,228,760**	611,228,760	**7,844**	**61,123**	7,844	61,123

36 RESERVES

	Share premium	**Accumulated profits**	**Total**
	US$'000	US$'000	US$'000
Company			
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 1st January, 2006	98,011	8,390	106,401
Profit for the year	–	49,609	49,609
Dividend paid	–	(10,223)	(10,223)
At 31st December, 2006	**98,011**	**47,776**	**145,787**

Distributable reserves of the Company at 31st December, 2006, calculated under section 79B of the Companies Ordinance, amounted to US$47,776,000 (2005: US$8,390,000).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

37 BANK BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings comprise the followings:				
Bank loans				
Secured				
– due within 1 year	**–**	4,000	**–**	–
Unsecured				
– due within 1 year	**233,792**	44,015	**21,400**	7,500
– due more than 1 year, but not exceeding 2 years	**15,000**	22,887	**15,000**	21,400
– due more than 2 years, but not exceeding 5 years	**84,037**	87,500	**82,500**	87,500
	332,829	154,402	**118,900**	116,400
Total	**332,829**	158,402	**118,900**	116,400
Less: Amount shown under current liabilities	**(233,792)**	(48,015)	**(21,400)**	(7,500)
Amount due after one year	**99,037**	110,387	**97,500**	108,900

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 2006 on the Group's bank borrowings were 4.0% to 6.7% (2005: 2.7% to 5.8%).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

37 BANK BORROWINGS *(Continued)*

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 annum.

At the balance sheet date, the Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2006	2005
	US$'000	US$'000
Renminbi	**130,977**	4,709

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

38 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	**Tax losses**	**Other assets**	**Total**
	US$'000	US$'000	US$'000	US$'000
At 1st January, 2005	103	–	106	209
Credit to income	17	–	17	34
At 31st December, 2005	120	–	123	243
Credit to income	(238)	2,067	(93)	1,736
At 31st December, 2006	(118)	2,067	30	1,979

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

38 DEFERRED TAX ASSETS *(Continued)*

Group *(Continued)*

At 31st December, 2006, the Group has unused tax losses of US$32,672,000 (2005: US$18,496,000) available for offset against future profits. A deferred tax asset of US$21,329,000 (2005:nil) in relation to unused tax losses has been recognised. No deferred tax asset has been recognised on remaining tax losses of US$11,343,000 (2005: 18,496,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$295,000, US$16,000 and US$597,000 that will expire in 2007, 2009 and 2010 (2005: US$552,000, US$408,000 and US$764,000 in 2007, 2009 and 2010 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 as at 31st December, 2005, due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

39 ACQUISITION OF SUBSIDIARIES

During the year, the Company entered into an agreement to acquire an additional 40% equity interest in Qingdao Pacific, a former jointly controlled entity of the Company. On completion of this transaction and following certain amendments to the terms of the joint venture agreements for Qingdao Pacific and Qingdao Singamas, also a former jointly controlled entity of the Company, the Company took control over the board of directors of both Qingdao Pacific and Qingdao Singamas. In addition, the joint venture partner of Qingdao Pacific and Qingdao Singamas agreed to receive a fixed sum of guarantee payments annually in lieu of sharing any profit and loss and the residual interests in the assets of Qingdao Pacific and Qingdao Singamas thereafter. Accordingly, Qingdao Pacific and Qingdao Singamas have been accounted for as wholly owned subsidiaries of the Group since 1st June, 2006 and all future guarantee payments are discounted at the prevailing market interest rate on the date of acquisition and accounted for as deferred payable.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

39 ACQUISITION OF SUBSIDIARIES *(Continued)*

The effect of acquisition and consolidation of the assets and liabilities of Qingdao Pacific and Qingdao Singamas are summarised below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	US$'000	US$'000	US$'000
Property, plant and equipment	14,604	896	15,500
Trade receivable	27,229	–	27,229
Prepayments and other receivables	21,840	–	21,840
Prepaid lease payments	1,423	1,580	3,003
Inventories	47,139	–	47,139
Bank balances and cash	11,739	–	11,739
Other assets	27	–	27
Bank borrowings	(47,364)	–	(47,364)
Trade payable	(18,923)	–	(18,923)
Bills payable	(19,766)	–	(19,766)
Accruals and other payables	(19,256)	–	(19,256)
Amount due to fellow subsidiaries	(12,006)	–	(12,006)
	6,686	2,476	9,162
Goodwill			3,907
Less: amount attributable to the Group and previously classified as interests in jointly controlled entities			(4,903)
Total consideration			8,166
Satisfied by:			
Cash consideration			5,754
Deferred payable			2,412
			8,166
Net cash inflow arising on acquisition of subsidiaries:			
Cash consideration			(5,754)
Bank balance and cash consolidated			11,739
			5,985

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

39 ACQUISITION OF SUBSIDIARIES *(Continued)*

The goodwill arising on the acquisition of subsidiaries is attributable to the anticipated future operating synergies from the combination.

For the year ended 31st December, 2006, Qingdao Pacific contributed US$116,283,000 to the Group's revenue and a profit of US$138,000 to the Group's profit from operations. Qingdao Singamas contributed US$16,468,000 to the Group's revenue and a loss of US$957,000 to the Group's profit from operations.

If the acquisition had been completed on 1st January, 2006, total group revenue for the year would have been US$957,841,000 and profit for the year would have been US$20,603,000. The pro forma information is for illustrative purposes 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, 2006, nor is it intended to be a projection of future results.

40 CONTINGENT LIABILITIES

	Group	
	2006	2005
	US$'000	US$'000
Guarantees for bank facilities utilised by a jointly controlled entity	**2,240**	10,000

41 CAPITAL COMMITMENTS

	Group	
	2006	2005
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**11,781**	26,334
Capital expenditure in respect of business acquisition contracted but not provided for	**5,000**	27,350
	16,781	53,684

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

42 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	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– in the 1st year	**1,674**	823	**378**	379
– in the 2nd to 5th year inclusive	**1,313**	1,100	**126**	505
– beyond 5th year	**1,127**	793	**–**	–
	4,114	2,716	**504**	884

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$1,360,000 (2005: US$1,956,000) were rented out under operating leases. Property rental income earned during the year was US$79,000 (2005: US$45,000). These properties have committed tenants for the next one to two years.

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

	Group and Company	
	2006	2005
	US$'000	US$'000
– in the 1st year	**73**	92
– in the 2nd to 5th year inclusive	**56**	129
	129	221

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

43 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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

43 CONSOLIDATION OF FORMER JOINTLY CONTROLLED ENTITIES *(Continued)*

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.

44 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:

	2006 **US$'000**	2005 US$'000
Sales to ultimate holding company *(note)*	**45,063**	–
Sales to a fellow subsidiary *(note)*	**2,264**	2,045
Sales to a related company *(note)*	**6,867**	7,167
Rental income received from a fellow subsidiary *(note)*	**65**	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, also the ultimate holding company of the Company, has 100% effective interest. The related company is PILHK, 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 30. 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

44 RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

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

	2006	2005
	US$'000	US$'000
Short-term benefits	**1,308**	2,353
Other long-term benefits	**36**	32
	1,344	2,385

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

45 POST BALANCE SHEET EVENT

In September, 2006, the Company entered into a share transfer agreements with China Shipping Investment Co, Ltd, Mitsubishi Corporation and Mitsubishi Corporation (Hong Kong) Limited to transfer 20%, 7% and 2% equity interest in Hui Zhou Pacific Container Co., Ltd. ("Hui Zhou Pacific") respectively. The transactions were completed in January 2007. Upon completion of the aforesaid share transfers, the Group's effective interest in Hui Zhou Pacific have decreased from 100% to 71%.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31st December				
	2006	2005	2004	2003	2002
	%	%	%	%	%
Sales Mix					
(as a percentage of sales)					
Manufacturing:					
Dry freight	**86**	86	82	82	56
Collapsible flatracks, other specialised containers and container parts	**3**	1	2	1	2
Refrigerated containers	**7**	9	9	9	20
	96	96	93	92	78
Container depot/terminal:					
Hong Kong	**1**	1	1	1	4
PRC (other than Hong Kong and Taiwan)	**1**	1	2	3	9
	2	2	3	4	13
Mid-stream:					
Hong Kong	**2**	2	4	4	9
Total	**100**	100	100	100	100
	TEUs	TEUs	TEUs	TEUs	TEUs
Production volume					
20-foot containers	**247,204**	179,271	206,507	146,059	102,107
40-foot containers	**80,896**	114,404	122,776	67,056	31,934
40-foot high cube containers	**222,292**	199,540	286,810	247,454	171,286
45-foot high cube containers	**13,467**	1,067	2,743	5,954	4,613
Others	**19,684**	–	–	–	–
	583,543	494,282	618,836	466,523	309,940

FIVE YEAR FINANCIAL SUMMARY *(Continued)*

	For the year ended 31st December				
	2006	2005	2004	2003	2002
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**924,011**	842,936	532,793	450,712	180,637
Profit from operations	**30,549**	57,404	32,538	29,723	15,194
Finance costs	**(17,732)**	(9,397)	(5,193)	(4,105)	(1,829)
Investment income	**1,540**	1,186	1,221	299	120
Changes in fair value of derivative financial instruments	**7,468**	67	–	–	–
Share of results of associates	**1,189**	1,208	1,065	1,517	6,833
Share of results of jointly controlled entities	**(477)**	9,683	20,828	4,833	(507)
Profit before taxation	**22,537**	60,151	50,459	32,267	19,811
Income tax expense	**(1,219)**	(6,146)	(3,116)	(2,036)	(1,071)
Profit for the year	**21,318**	54,005	47,343	30,231	18,740
Attributable to:					
Equity holders of the Company	**18,096**	44,899	39,636	20,370	14,689
Minority interests	**3,222**	9,106	7,707	9,861	4,051
	21,318	54,005	47,343	30,231	18,740
Earnings per share – basic	**US2.96 cents**	US7.35 cents	US7.37 cents	US4.07 cents	US3.22 cents
Assets and Liabilities					
Total assets	**963,647**	512,477	543,114	428,215	203,022
Total liabilities	**(694,366)**	(257,511)	(328,602)	(274,596)	(112,431)
	269,281	254,966	214,512	153,619	90,591
Equity attributable to equity holders of the Company	**226,146**	215,714	180,737	104,378	71,445
Minority interests	**43,135**	39,252	33,775	49,241	19,146
Total equity	**269,281**	254,966	214,512	153,619	90,591