SINGAMAS

勝獅貨櫃企業有限公司

SINGAMAS CONTAINER HOLDINGS LIMITED

HKEx Stock Code: 716

SINGAMAS Container Holdings Limited

Annual Report 2009

Contents

The English text of this annual report shall prevail over the Chinese text for the purpose of interpretation.

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, Environmentally Friendly Trash & Other Specialised Containers)*
- Shanghai Reeferco *(Refrigerated & Fresh Seafood Containers)*

Yixing *(Collapsible Flatrack, Other Specialised Containers & Container Parts)*

Ningbo *(Dry Freight & Specialised Containers)*

Xiamen *(Dry Freight Containers)*

Hui Zhou *(Dry Freight & Specialised Containers)*

Shunde *(Dry Freight, Tank, CKD Container Houses & 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 has been listed on The Stock Exchange of Hong Kong Limited since 1993. We are one of the world's leading container manufacturers and a major operator of container depots and terminals in the Asian-Pacific region. 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, bitutainer, refrigerated containers, U.S. domestic containers, tank containers, fresh seafood containers, environmentally friendly trash containers, CKD container houses, other specialised containers, container parts and container chassis.

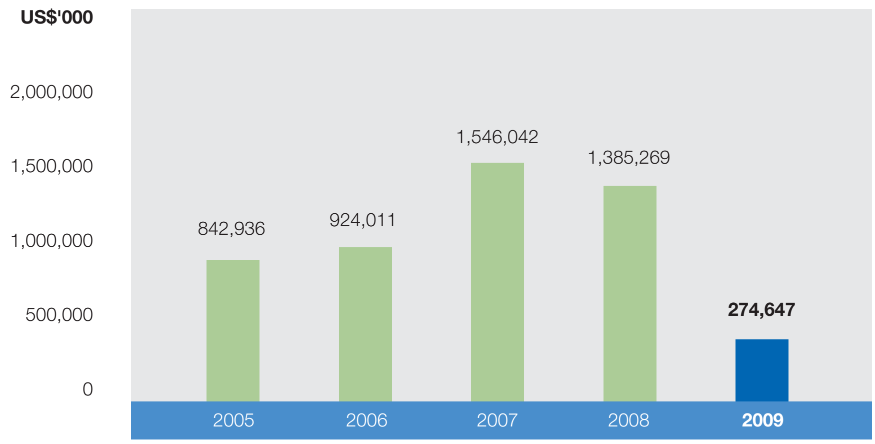
Our logistics business includes container depots/terminals, mid-stream and logistics company, running eleven container depots/terminals, eight at the major ports in the PRC – Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen, and Shunde, two in Hong Kong and one in Laemchabang, Thailand. We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

Financial Highlights

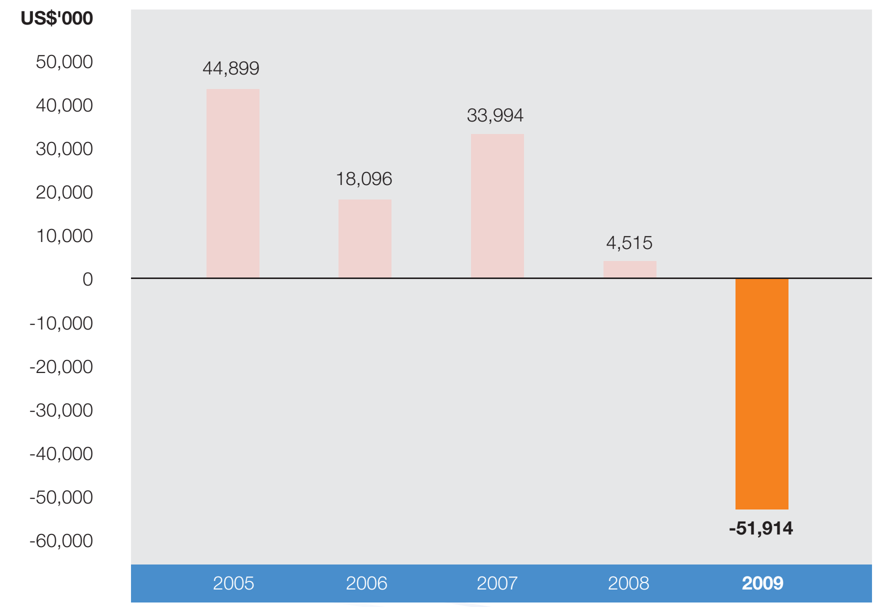
	2009 US$	2008 US$	2007 US$	2006 US$	2005 US$
Revenue	274,647,000	1,385,269,000	1,546,042,000	924,011,000	842,936,000
(Loss) profit from operations	(49,633,000)	72,869,000	44,496,000	30,549,000	57,404,000
(Loss) profit attributable to owners of the Company	(51,914,000)	4,515,000	33,994,000	18,096,000	44,899,000
(Loss) earnings per share	(2.97) cents	0.51 cent	5.37 cents	2.96 cents	7.35 cents
Net asset value per share	15.13 cents	43.79 cents	43.51 cents	37.00 cents	35.29 cents
Equity attributable to owners of the Company	364,484,000	307,794,000	305,855,000	226,146,000	215,714,000
Bank balances and cash	92,533,000	153,647,000	119,048,000	80,659,000	102,604,000
Total borrowings *(Note)*	181,786,000	372,009,000	415,223,000	332,829,000	158,402,000
Current ratio	1.40 to 1	1.20 to 1	1.24 to 1	1.17 to 1	2.16 to 1
Gearing ratio	0.50	1.21	1.36	1.47	0.73
Net debt to equity ratio	0.24	0.71	0.97	1.12	0.26
Interest coverage ratio	N/A	2.53	3.16	3.24	10.52

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

Revenue

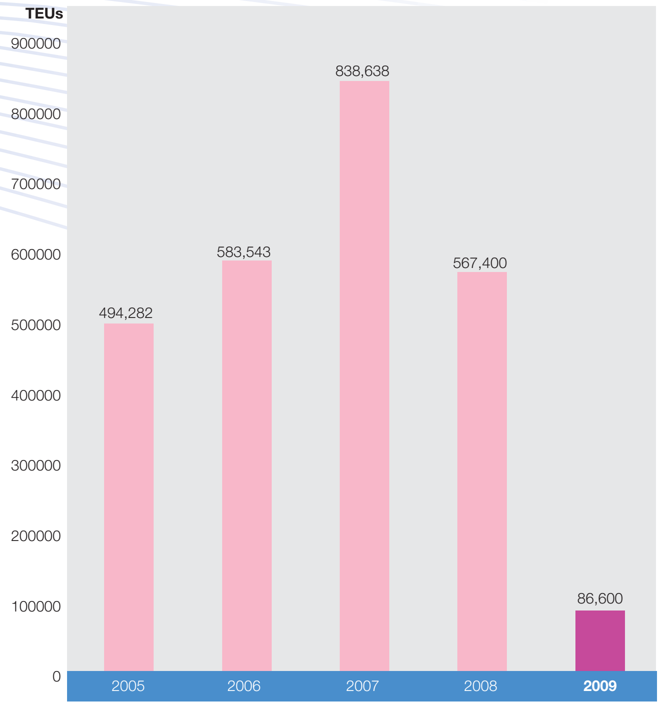


(Loss) Profit Attributable to Owners of the Company

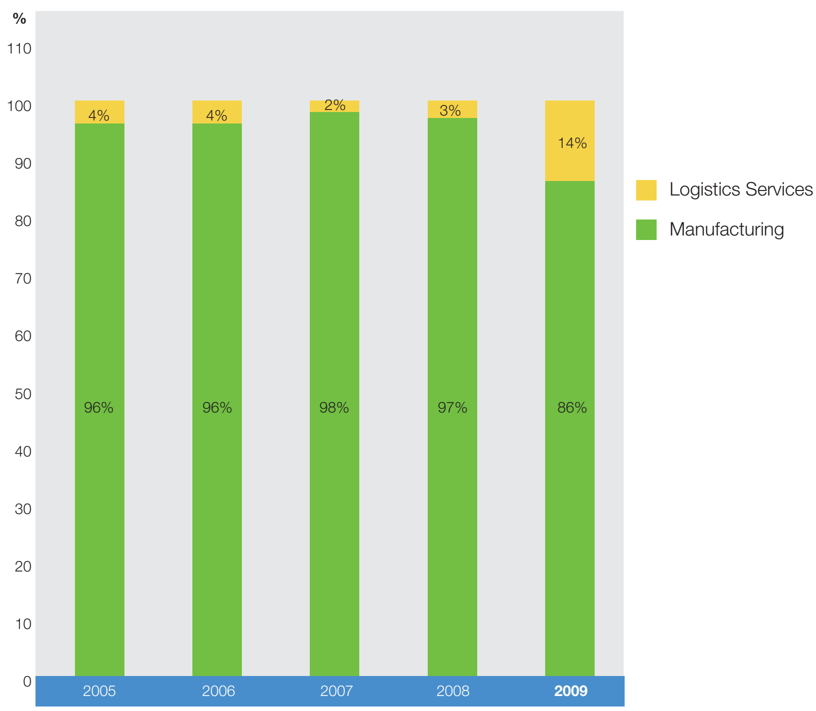


Financial Highlights

Production Output



Revenue by Business Segment



Corporate Information

Executive Directors

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

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

Non-executive Directors

Mr. Jin Xu Chu *(re-designated as Non-executive Director on 1 January 2010)*
Mr. Kuan Kim Kin#Δ

Independent Non-executive Directors

Mr. Lau Ho Man *(appointed on 1 May 2009)*
Mr. Ong Ka Thai#Δ
Mr. Yang, Victor#Δ

 # Audit Committee Member
Δ Remuneration Committee Member

Company Secretary

Ms. Tam Shuk Ping, Sylvia

Solicitors

Latham & Watkins
41st Floor
One Exchange Square
8 Connaught Place
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
Shops 1712-1716
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

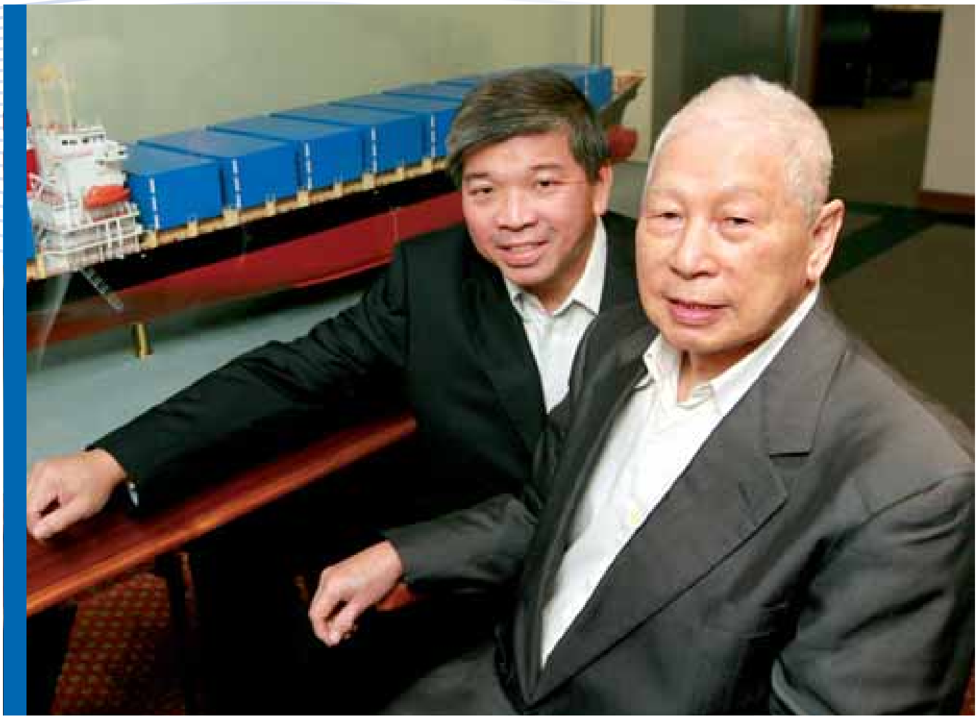
Principal Bankers

Agricultural Bank of China
Bangkok Bank Public Company Limited
Bank of China
Bank of Communications Co., Ltd.
China Construction Bank Corporation
CITIC Ka Wah Bank Limited
DBS Bank Ltd.
Hang Seng Bank (China) Limited
Industrial and Commercial Bank of China
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Bank of Nova Scotia
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
United Overseas Bank Limited

Websites

http://www.singamas.com
http://www.irasia.com/listco/hk/singamas

Chairman's Statement



Left: **Mr. Teo Siong Seng**
President & Chief Executive Officer

Right: **Mr. Chang Yun Chung**
Chairman

TO OUR SHAREHOLDERS

On behalf of the board of directors, I would like to submit the operating results of Singamas Container Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

Due to exceptional global economic conditions, the Group recorded consolidated revenue of US$274,647,000 in the year under review, significantly down on the figure of US$1,385,269,000 for 2008. The result was a consolidated net loss of US$51,914,000 attributable to owners of the Company, against net profit of US$4,515,000 attributable to owners of the Company in 2008. Loss per share for 2009 amounted to US2.97 cents, compared with earnings per share of US0.51 cent in 2008; as a result there will be no dividend payable for 2009 (2008: HK4 cents per ordinary share). However, the Group remains committed to its dividend policy and expects to resume dividend payouts once steady profitability is re-established.

The downturn in the Group's performance was the result of a sudden global slowdown in trade which began in the second half of 2008, and continued with even further drop in global trading volumes in 2009. The People's Republic of China (the "PRC") is one of the biggest sources of goods for the global market, so its exporters were seriously affected by the crisis, which badly impacted the Group's container manufacturing business. The Group's container manufacturing operation was scaled back in the year under review due to the sudden slowdown, and as a result its consolidated revenue fell by around 80.2% year-on-year.

With very soft demand for dry freight containers, the Group was operating well under capacity in the production of dry freight containers, which have traditionally been our major revenue stream. The Group's smaller-scale specialised container business, however, performed satisfactorily, especially given the economic conditions, and this bodes well for our future plans to develop new specialised products.

The Group's gross margins and operating margins were lower due to the exceptional global conditions of 2009; as trade recovers we expect these to rise to more normal levels again. The Group's financial position improved significantly following a successful rights issue completed in April 2009, which was oversubscribed and raised approximately HK$492.0 million for the Group. In addition, a share placement exercise conducted in November 2009 raised a further HK$379.4 million for the Group's new projects and working capital. This significant injection of cash has been used to repay the Group's bank borrowings and will also be used to finance the Group's new products development. Throughout the year, the Group continued to implement proven cost control measures to ensure it operated at optimum levels of efficiency.

Business Review

Manufacturing

The Group's manufacturing business contributed around 86.5% of its total revenue in 2009. As a result of the economic downturn that swept the globe from late 2008, the segment recorded revenue of US$237,440,000, a 82.4% drop compared to last year. The Group responded to the slowdown in demand for containers by reducing its container production capacity. Total container output for the year was 86,600 twenty-foot equivalent units ("TEUs"), down 84.7% from last year. Of this number, around 36,299 TEUs were higher margin specialised containers, and the remainder traditional dry freight containers. Consequently the manufacturing business experienced a sharp fall in manufacturing revenue, leading to a loss before taxation and minority interests of US$66,734,000 in the year under review (2008: profit before taxation and minority interests of US$7,315,000).

Towards the end of 2009, encouraging signs are evident of the beginnings of a gradual recovery. These include the fact that the number of idle containers in the PRC dropped from over 5 million TEUs in the first quarter of the year to under 2 million TEUs by December 2009. Global freight rates are rising again, an indication of gradual recovery in the container shipping industry. Recent statistics indicate that both import and export activities in the PRC have significantly increased in December 2009. All these are indicators of an upward swing which will result in a rise in container demand in 2010.

After cutting its worker numbers when the global crisis first began to strike in 2008, the Group continued to maintain just a single production shift and has been operating with a minimum workforce throughout 2009. Labour costs have thus remained under control during the year. Now that a revival in demand is appearing, the Group has started hiring workers after the Chinese New Year holiday to ramp up its production capacity.

Due to the scaling back of the Group's production of dry freight containers, the revenue breakdown between dry freight containers and specialised containers for 2009 was about 41/59. We expect the ratio of dry freight containers to rise again in the coming year as demand picks up to more normal levels. Average selling price of a 20-foot dry freight container was around US$1,986, while tank containers were sold for around US$27,512. These prices are slightly lower than last year (2008: US$2,262 and US$30,600 respectively) due to the drop in raw materials prices. With the price of Corten steel predicted to rise gradually in the coming year, we expect average selling prices to rise correspondingly.

Logistics Services

The Group provides customers with a range of logistics services that include container storage, handling, repair, trucking and other related services at container depots and container terminals, and mid-stream operations. During 2009, the Group's container depots and terminals handled a total of approximately 3,576,000 TEUs of containers, against 5,069,000 TEUs in 2008. This represented a drop in handling volumes of 29.5% as a result from the decline in global trade. By contrast, with more idle containers (especially in the first half of the year) stored at the major ports of the PRC, revenue from the Group's storage services actually increased in the reporting year.

As a whole, the Group's logistics services segment generated revenue of US$37,207,000, fell slightly by 2.3% from US$38,098,000 of 2008. With the substantial decline in higher-margin handling revenue, this segment's profit before taxation and minority interests dropped to US$7,715,000 (2008: US$10,859,000).

Prospects

After eighteen months of global economic downturn, there are already some clear signs of recovery. Cargo throughput in the PRC is rising and is expected to continue, as the improving global economy drives PRC exports and strong PRC domestic consumption stimulates imports. The rise in global trade will directly benefit the container shipping industry, which in turn will see demand growing for new containers.

This overview justifies the Group's cautiously optimistic outlook on 2010. Analysts and exporters alike believe the worst period to be over, and signs of recovery are already evident. Much hangs on the state of the US economy and consumer sentiment there, traditionally a major driver for the global export trade. The Group believes that business in the first half of 2010 will grow and improve steadily, establishing a momentum that should lead to a positive second half year.

In addition to economic improvements, certain other factors are set to influence the container industry for the good. Replacement rate, which has fallen over the past two years for old containers, is expected to at least return to the normal rate of 5% to 7% in 2010. Over the past two years, many container owners have postponed the replacement of their worn or damaged containers due to the economic downturn. As global freight volumes are expected to rise in 2010, replacement demand is expected to resume.

In addition to the above positive factors, we are especially optimistic about the prospects for several of our specialised container products, which have been under development or in the early stages of production in the past year. These specialised containers should continue to diversify our business interests, improving our product mix, and attract new customers from outside the traditional spheres of shipping and container leasing companies. On average, the gross margin for the new three specialised containers described below is over 10%, significantly higher than the margin obtainable on traditional dry freight containers.

Our fresh seafood containers, designed to efficiently transport time- and temperature-sensitive seafood products, are currently at the final testing stage. This product is being developed in partnership with China Railways, and we expect to receive our first order in April 2010. We have also developed and produced 300 units of environmentally friendly trash containers, which will be introduced at the Shanghai World Expo in 2010.

Another specialised product being developed that holds great potential is Complete Knock Down (CKD) container house that can be used for temporary or permanent accommodation. The Group has already accepted trial orders of 20 fully-furnished container houses from a large-scale property developer in Tahiti, for re-sale to the Tahitian Government for low-cost housing. These container houses have a lot of potential in countries with high populations, rich in natural resources but lack of infrastructure and suitable accommodation.

Specialised containers offer the Group new opportunities, and less future reliance on revenue from dry freight containers. Over the next three to five years, the Group aims to increase the manufacture and sale of specialised containers to represent approximately 40% to 50% of the Group's total revenue.

Noting the robustness of the PRC domestic market even during the recent global downturn, the Group also aims to exploit the potential on its doorstep. To this end it set up a Domestic Marketing Department at the end of 2009.

In summary then, the Group is now emerging from an exceptionally stormy period, which it has successfully weathered partly by making some major cutbacks and partly by looking to specialise and diversify its container products. With a strong cash position and plenty of capacity at its production plants, the Group is ready to ride the recovery as it takes off. We are cautiously optimistic that in 2010, we will be able to regain lost ground caused by the economic downturn in the past 18 months.

Chairman's Statement

Rights Issue and Share Placement

The Group's cash reserves were significantly increased during the year under review as a result of two major fund-raising events. Towards the beginning of the year the Group held a successful rights issue of shares, which was oversubscribed and which generated approximately HK$492.0 million for the Company. In November 2009, the Company undertook a share placement which raised a further HK$379.4 million. The new capital raised has been and will be used for repaying bank borrowings and financing new products development.

Acknowledgements

Once again, I take great pleasure in acknowledging the loyal support and encouragement given in 2009 by our customers and business partners, which has been especially welcome in such challenging times. In addition, I would like to sincerely thank my fellow board members, management team and colleagues for the sacrifice, hard work and commitment they have dedicated to the Company over the year. With this level of support and dedication, I am confident that we are ready to reap the benefits of the market revival and repay the confidence of our investors in 2010.

Chang Yun Chung
Chairman

Hong Kong, 24 March 2010

Frequently Asked Questions

1. As the worst of the economic downturn appears to have passed, what are the current major challenges faced by Singamas? What specific plans does the Group have in mind for tackling these challenges?

A. The Group's first challenge is to recruit sufficient skilled workers, especially experienced welders to ramp up our production capacity to meet the rising demand. We have planned to hire an additional 2,000 workers and we began hiring after the Chinese New Year holidays. So far, our hiring plan is on schedule.

The Group also needs to purchase sufficient Corten steel to meet the increasing production requirements. However, most of the steel mills are limiting their supplies as they expect steel prices to gradually increase over the next few months. The Group has been closely monitoring the steel supply situation and since we have established strong relationship with the steel mills over the last few years, the situation is under control.

The Group also needs to increase our working capital as our production volume goes up. Fortunately with the two equity fund raising exercises completed in 2009, our financial position is much stronger and we are getting good support from our banks as well.

2. How does the Group see the demand for containers in 2010? Does the Group have sufficient production capability on hand to meet the anticipated rising market demand?

A. From August 2008 up to end of 2009, customers have not placed new orders in large quantities. There are already some clear signs of market recovery. Cargo throughput in and exports from the People's Republic of China (the "PRC") are rising and are expected to continue with improving global trade. Such rise in trading activities has resulted in growing demand for containers since end of 2009. The Group expects that by April or May 2010, there would be huge gap between cargo volume and container availability. That is, we expect there would be shortage of containers in the PRC. The Group expects the container demand continues to grow throughout 2010 and for this reason, we have started hiring workers after Chinese New Year holiday. The Group is well positioned and ready to meet the anticipated rising market demand.

3. After strengthening its financial position through a rights issue and share placement in 2009, how does the Group plan to use the proceeds to speed up the development of its specialised container business?

A. The Group raised a total of approximately HK$871 million from these two equity fund raising exercises. We have partly used the proceeds to repay bank loans and will use the remaining balance to finance our new products developments, including as working capitals for these new products and in capital expenditures for setting up new production facilities for them.

Frequently Asked Questions

4. With the launch of your Domestic Marketing Department in the PRC, what is the Group's strategy for capturing new business opportunities?

A. The main objectives of establishing our Domestic Marketing Department in the PRC are to tap on the growing PRC domestic market, further widen the Group's customer base and increase our Renminbi denominated revenue to reduce the impact from potential Renminbi fluctuation against US dollars.

5. Raw materials costs are currently rising. What measures is the Group taking to mitigate the negative impact of these higher costs?

A. As container selling prices are largely cost driven, the Group expects container selling prices in 2010 to grow steadily in line with the material costs. Besides, under normal circumstances, the Group's exposure to raw material price fluctuation is minimal as we quote to customers on cost-plus basis, we do not offer or commit on long-term quotation or sales order and we normally only keep about one to two months of raw materials inventory to meet production requirements.

6. Will the Group consider additional acquisitions of other companies to accelerate growth in the near future?

A. With the economy started to improve with clear signs of gradual recovery, the Group has resumed its capital projects that were previously put on hold, including the relocation and upgrading of the Group's dry freight container factories in Xiamen and Shanghai. As for additional acquisitions of other companies, the Group will only consider when the economy is fully recovered and such acquisitions would generate great benefits to the Group. For the time being, we have no concrete acquisition plan that could be disclosed.

7. When does the Group expect to resume distributing dividends to shareholders?

A. The Group remains committed to its dividend policy and expects to resume dividend payouts once steady profitability is re-established.

Note: "A" denotes "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. Ngan Man Kit, Alexander *(resigned on 1 January 2009)*	*Executive Director*
Mr. Teo Tiou Seng	*Executive Director*
Mr. Jin Xu Chu	*Non-executive Director*
Mr. Kuan Kim Kin*Δ	*Non-executive Director*
Mr. Lau Ho Man *(appointed on 1 May 2009)*	*Independent Non-executive Director*
Mr. Ong Ka Thai*Δ	*Independent Non-executive Director*
Mr. Yang, Victor*Δ	*Independent Non-executive Director*

** Audit Committee Member*
Δ 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 91, Chairman, appointed on 20 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 the father of Mr. Teo Siong Seng and Mr. Teo Tiou Seng. Mr. Chang graduated from the Xiamen Datung College. Mr. Chang is presently the Executive Chairman of the PIL Group of companies in Singapore, which is engaged in shipping and related businesses. Mr. Chang is also the Chairman of Pacific International Lines (H.K.) Limited ("PILHK") of Hong Kong, the Maya Group of companies, Malaysia Shipping Corporation Sdn. Bhd. of Malaysia, Eastern Maritime (Thailand) Ltd. and Pacific Seatran Lines Ltd. of Thailand. 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. Other than PILHK, the Maya Group of companies, Malaysia Shipping Corporation Sdn. Bhd., Eastern Maritime (Thailand) Ltd. and Pacific Seatran Lines Ltd. are third parties independent of the Company and connected persons of the Company.

Mr. Teo Siong Seng, *B.Sc. (Naval Architect)*, aged 55, appointed on 20 April 1993, became the President and Chief Executive Officer of the Company on 1 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 an executive director of various PIL subsidiaries and joint venture companies whose activities include shipowning, liner shipping, ship agency, freight forwarding, container manufacturing and depot/warehousing, logistics park, supply chain management and travel. Mr. Teo is currently an independent non-executive director of China COSCO Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Teo is the President of the Singapore Chinese Chambers of Commerce & Industry, founding member of India-Singapore CEO Forum and sits on the Board of Business China, Maritime and Port Authority of Singapore (MPA). He is the President of Singapore Shipping Association, Lloyd's Register Asia Shipowners, The Standard Steamship Owners' Protection and Indemnity Association (Asia) Ltd. and Class NK Singapore. He is also a Nominated Member of Parliament (NMP).

Directors and Senior Management Profile

Mr. Hsueh Chao En, *Dip. Eng.*, aged 57, appointed on 16 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 1 June 1993. Mr. Hsueh graduated in mechanical engineering from a technical institutes in Taiwan and 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. Teo Tiou Seng, aged 57, appointed on 26 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 27 years of working experience in container transport business and is also a director of PIL and the managing director of PILHK.

Mr. Jin Xu Chu, aged 63, appointed as Executive Director of the Company on 31 December 2004 and was re-designated as Non-executive Director of the Company on 1 January 2010. He studied at the Shanghai Jiao Tong University and joined Shanghai Pacific in May 1989. Mr. Jin is currently a director of certain manufacturing operating units of the Company. He has more than 30 years of experience in the container manufacturing industry in the People's Republic of China (the "PRC").

Mr. Kuan Kim Kin, aged 61, appointed as Non-executive Director of the Company on 15 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 7 June 2004. He is also an executive director of Pacific Ship Investment (Pte.) Ltd. and 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. Pacific Shipping Trust is sponsored by PIL. Other than their relationship with PIL, Pacific Ship Investment (Pte.) Ltd., PST Management Pte. Ltd. and Pacific Shipping Trust are third parties independent of the Company and connected persons of the Company. Prior to 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. Lau Ho Man, aged 55, appointed as Independent Non-executive Director of the Company on 1 May 2009. Mr. Lau is a Certified Public Accountant (Practising), a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales and the associate member of The American Institute of Certified Public Accountants. Mr. Lau has more than 32 years of experience in finance, accounting management and administration, and also has extensive experience in taxation and corporate finance matters. Mr. Lau is currently an independent non-executive director of CCT Telecom Holdings Limited, a company listed on the main board of the Stock Exchange. CCT Telecom Holdings Limited is a third party independent of the Company and connected persons of the Company.

Mr. Ong Ka Thai, aged 55, appointed as Independent Non-executive Director of the Company on 17 May 1997. Mr. Ong is currently the Chairman of various 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. Mr. Ong graduated from the University of California at Los Angeles with a Bachelor of Arts Degree majoring in Economics, and had served as the CEO for a number of multinational joint ventures since then. Mr. Ong is currently a director of Shanghai International Shanghai Growth Investment Limited, a company listed on the Stock Exchange. Mr. Ong was previously an independent non-executive director of China Bohai Bank Limited. Except for the provision of banking facilities by China Bohai Bank Limited to subsidiaries of the Group, Shanghai International Shanghai Growth Investment Limited and China Bohai Bank Limited are third parties independent of the Company and connected persons of the Company. Mr. Ong has over 33 years of experience in the 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. Yang, Victor, aged 64, appointed as Independent Non-executive Director of the Company on 15 April 2008. Mr. Yang was a founding partner of Boughton Peterson Yang Anderson, Solicitors, Hong Kong and he is also a qualified lawyer in Canada and the United Kingdom. Mr. Yang has over 36 years experience in legal practice primarily in the areas of corporate finance, commercial law, mergers, acquisitions and taxation. He is presently a governor of the Canadian Chamber of Commerce, an immediate past member of the Major Sports Events Committee of the Home Affairs Bureau, Hong Kong Special Administrative Region, a director of the Hong Kong Foundation for UBC Limited and was a board member of Canadian International School of Hong Kong Limited. Mr. Yang is also a non-executive director of Lei Shing Hong Limited, a company previously listed on the Stock Exchange and privatised in March 2008 and an independent non-executive director of China Agri-Industries Holdings Limited and Playmates Toys Limited, both of which are listed on the Stock Exchange. Mr. Yang resigned as an independent non-executive director of Media Chinese International Limited as of 1 October 2009 but was appointed the Company's consultant on the same date. Mr. Yang was also an independent non-executive director of Pearl Oriental Innovation Limited, a company listed on the Stock Exchange and Eupa International Corporation, a company quoted on NASD (Over the Counter Bulletin Board). Lei Shing Hong Limited, China Agri-Industries Holdings Limited, Playmates Toys Limited, Media Chinese International Limited, Pearl Oriental Innovation Limited and Eupa International Corporation, are all third parties independent of the Company and connected persons of the Company.

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

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 (retired on 1 January 2010)*
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. Chen Woo Tsoung, Jackson	*Vice President of Manufacturing Operations*
Mr. Cheng Chien Kuo	*Vice President of Manufacturing Operations*
Mr. Wang Yung Fu, Terry	*Vice President of China Container Depot Operations*
Mr. Xu Kun Ming	*Vice President of Manufacturing Operations*

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

Mr. Teo Siong Seng, appointed as President and Chief Executive Officer of the Company on 1 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 1 June 1993. Please refer to the Directors section for details.

Ms. Tam Shuk Ping, Sylvia, *B. Comm., M.B.A., C.A. (Can.), F.C.P.A.*, aged 47, Chief Financial Officer and Company Secretary, joined the Company on 15 May 1995. She was appointed as Company Secretary on 1 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 22 years of combined experience in public accountancy, manufacturing, distribution and construction.

Mr. Chan Kwok Leung, Andy, aged 52, 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 1 July 1994. He has more than 30 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. Chen Woo Tsoung, Jackson, *B. Transportation Engineering and Management*, aged 50, Vice President – Manufacturing Operations, joined the Group on 1 September 2007. Mr. Chen has more than 25 years of combined experience in shipping lines management, terminal operations and marketing. Prior to joining the Group, he was the Chief Auditor and Vice President of Wan Hai Lines Limited.

Mr. Cheng Chien Kuo, aged 54, Vice President – Manufacturing Operations, joined the Group in August 1989. He graduated in mechanical engineering from a technical institute in Taiwan. He has more than 28 years of experience in container manufacturing. Prior to joining the Group, he had over 13 years' experience working as a supervisor at various container manufacturing plants in Taiwan.

Mr. Wang Yung Fu, Terry, *B. Navigation & Marine Management*, aged 49, Vice President – China Container Depot Operations, joined the Company on 1 January 2006 and is also a director of various subsidiaries of the Company. Mr. Wang has more than 23 years' experience in shipping lines and container depot management. Prior to joining the Company, he was the General Manager of the Qingdao Branch and Shanghai Branch of PIL.

Mr. Xu Kun Ming, aged 58, Vice President – Manufacturing Operations, joined the Group in January 2002. Mr. Xu studied Business Administration and Shipping Automation from two universities in Shanghai, the PRC. Mr. Xu has more than 41 years of combined experience in ship building and container manufacturing. Prior to joining the Group, he had over 10 years' experience working as a deputy general manager at various container manufacturing plants in Shanghai.

Corporate Governance Report

Corporate Governance Practices

Save for the deviation explained below, Singamas Container Holdings Limited (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 and also adopted certain recommended best practices of the Code.

The board of directors ("Board"/"Directors") of the Company 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 15 to 17 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 Company and its subsidiaries (collectively the "Group") and approves and monitors the Group's strategic plans, major investments, funding proposals and risk management policies. The Board is also responsible for monitoring managerial performance, achieving adequate return for the shareholders each year, and promoting good corporate governance by reviewing the recommendations made from audit committee ("Audit Committee") and remuneration committee ("Remuneration Committee") of the Company.

The Company's articles of association ("Articles") 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 held five meetings in 2009. • Attendance records of the Directors in 2009: **Attendance** **Executive Directors** Chang Yun Chung (also known as Teo Woon Tiong) 4/5 Teo Siong Seng 5/5 Hsueh Chao En 5/5 Teo Tiou Seng 5/5 **Non-executive Directors** Jin Xu Chu 5/5 (re-designated as Non-executive Director on 1 January 2010) Kuan Kim Kin 4/5 **Independent Non-executive Directors** Lau Ho Man 3/3 (appointed on 1 May 2009) Ong Ka Thai 5/5 Yang, Victor 5/5
• 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.

Corporate Governance Report

Code Provisions	Alignment?	Governance Procedures of the Company
• 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 for taking minutes of Remuneration Committee meetings. All draft minutes are sent to Directors or committee members for review and comment within a reasonable period of time (generally within one month after each meeting) with the final version to be sent to Directors and/or committee members soonest thereafter. The minutes are made available for inspection by Directors and/or committee members at the Company's registered office.
• 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 Articles provide for voting and quorum requirements conforming to 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	• Mr. Chang Yun Chung serves as the Chairman and Mr. Teo Siong Seng (a son of Mr. Chang Yun Chung) 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.	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.
• The chairman should be responsible for ensuring that directors receive adequate information in a timely mannner.		
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.

Corporate Governance Report

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• The chairman should encourage all directors to make a full and active contribution to the board's affairs. • The chairman should facilitate the effective contribution of non-executive directors and ensure constructive relations between executive and non-executive directors.	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 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.
• The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.	Yes	• Appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

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.

Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three independent non-executive directors. Mr. Ngan Man Kit, Alexander ("Mr. Ngan"), who was an independent non-executive Director, was re-designated as executive Director on 15 October 2008. Following the re-designation of Mr. Ngan as executive Director, the number of independent non-executive directors of the Company fell to two, below the minimum number required under Rule 3.10(1) of the Listing Rules. On 1 May 2009, Mr. Lau Ho Man was appointed as an independent non-executive Director to fill the causal vacancy of Mr. Ngan.

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**
• An issuer should appoint independent non-executive directors representing at least one-third of the board.	Yes	• Out of a total of nine Directors, three of them are independent non-executive Directors, representing one-third of the 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.

Corporate Governance Report

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	• According to the service agreements entered into between the non-executive Director or independent non-executive Directors and the Company, the term of appointment is generally for one year but subject to re-election at annual general meetings under the Articles. • Under the 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 annual general meetings but shall be eligible for re-election. • Under the 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.
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. • 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.	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. • Election or re-election of every Director, including non-executive Directors, is subject to a separate resolution to be approved by shareholders. • Each of the independent non-executive Directors has confirmed their independence on 24 March 2010.

A.5 Responsibilities of Directors

Code Principle

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

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Every newly appointed director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, 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 judgment 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.	Yes	• Non-executive Directors are well aware of their functions and have been actively performing them. On an on-going basis, Directors review with management in respect of the Group's strategic development and direction, emerging risks and opportunities available to the Group. • There has been satisfactory attendance for Board and Board committee meetings in 2009.
• Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.		

Corporate Governance Report

Code Provisions	Alignment?	Governance Procedures of the Company
• Directors must comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers (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 as the code of conduct regarding Directors' securities transactions. 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.
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 the time of his appointment and 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 2009.
• 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 functions 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.

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
• 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.

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 2009, the Remuneration Committee met twice and attendance of individual members at Remuneration Committee meeting in the year is summarised below:

Committee members	**Attendance**
Yang, Victor *(Chairman)*	2/2
Ong Ka Thai	2/2
Kuan Kim Kin	2/2

Details of each Director's remuneration for the year under review are set out on pages 108 to 109 of this annual report. The summary of work of the Remuneration Committee is set out in the Remuneration Committee Report on page 57.

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. Current members of the Committee are: **Independent Non-executive Directors:** Yang, Victor *(Chairman)* Ong Ka Thai **Non-executive Director:** Kuan Kim Kin • Full terms of reference are available on the Company's website (http://www.singamas.com). • Each Committee member is given a copy of the full terms of reference.

Code Provisions	Alignment?	Governance Procedures of the Company
• The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	Yes	• Meetings have been held between the Committee Chairman and the Board Chairman and/or Chief Executive Officer to discuss the various matters concerning the remuneration and related policy of executive Directors and senior management.
• The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	• Sufficient resources, including obtaining outsides professional advice or assistance, are provided to the Remuneration Committee.
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.
• Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	Yes	• Since the establishment of Remuneration Committee in 2005, there had not been any contradiction between the Remuneration Committee and the Board in respect of the approval of any remuneration or compensation arrangements.

Corporate Governance Report

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 should provide explanation and information to the board so 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 explanations 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 Independent 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 retains a team of internal auditors to conduct internal audit on selected operating units of the Group. The 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.
• The board's annual review should consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.	Yes	• The executive members of the Board regularly review the adequacy of resources, qualifications and experience the Company's accounting and financial reporting staff and also their training programmes and budget.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• The board's annual review should, in particular consider the items as prescribed in Recommended Best Practice C.2.3 of Appendix 14 to the Listing Rules.	Yes	• The Board considered the scope of annual review of the effectiveness of the system of internal controls of the Company and its subsidiaries.

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• Issuers should disclose as part of the Corporate Governance Report a narrative statement on how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the items as prescribed in Recommended Best Practice C.2.4 of Appendix 14 to the Listing Rules.	Yes	• Explanations have been set out above.
• Issuers should ensure that their disclosures provide meaningful information and do not give a misleading impression.	Yes	• The Company ensured that their disclosures provide meaningful information and did not give a misleading impression.

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. Yang, Victor, 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.

The details of Audit Committee members' attendance in 2009 are as follows:

Committee members	Attendance
Ong Ka Thai *(Chairman)*	3/3
Kuan Kim Kin	2/3
Yang, Victor	3/3

Code Provisions	Alignment?	Governance Procedures of the Company
• Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of audit committee meetings should be sent to all members of the committee for their comment and records, respectively within a reasonable time after the meeting.	Yes	• The Company Secretary is also the secretary of the Audit Committee who keeps full minutes of all Audit Committee meetings. • Draft version of minutes is sent to Audit Committee members for comment normally within one month from the date of the meeting. Final version of minutes is sent to the Audit Committee members for their records as soon as the related draft is finalised.
• A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee.	Yes	• None of the three Audit Committee members is a former partner of the Company's existing external auditors.
• The terms of reference of the audit committee should include at least the certain duties as prescribed in Code Provision C.3.3 of Appendix 14 to the Listing Rules.	Yes	• Full terms of reference are available on the Company's website (http://www.singamas.com) and a copy of the terms of reference is given to each member of the Audit Committee.
• The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.		
• 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.

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• The terms of reference of the audit committee should also include the duties as prescribed in Recommended Best Practice C.3.7 of Appendix 14 of the Listing Rules.	Yes	• Full terms of reference are available on the Company's website (http://www.singamas.com).

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 reserved 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.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• Directors should clearly understand delegation arrangements in place. To that end, issuers should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	Yes	• Such delegation arrangement acknowledged by each Director by passing Board resolutions.

D.2 Board Committees

Code Principle

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

Governance Procedures of the Company against the Code Provisions

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

E. Communication with Shareholders

E.1 Effective Communication

Code Principle

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

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	Yes	• Separate resolutions are proposed on each substantially separate issue at general meetings.
• The chairman of the board should attend the annual general meeting and arrange for the chairmen of board committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. Chairman of independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	• The Board Chairman and each chairman of the Audit Committee and Remuneration Committee have been attending the annual general meeting of the Company and available to answer questions. • The chairman of Independent Board Committee has been attending general meetings to approve connected transactions or any other transaction that are subject to independent shareholders' approval and available to answer questions.
• The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	Yes	• Notices of the annual general meetings and all other general meetings have been sent according to the required notice period.

E.2 Voting by Poll

Code Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	Yes	• The chairman of general meetings has been and will be providing an explanation of the detailed procedures for conducting a poll at the commencement of such meetings and answer any questions that may have from shareholders regarding voting by way of a poll.

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

During the year under review, Mr. Lau Ho Man was appointed as an independent non-executive Director on 1 May 2009. The Board considered Mr. Lau's academic and professional background and based on the abovementioned criteria, the Board resolved to appoint Mr. Lau as an independent non-executive Director.

Corporate Governance Report

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 2010.

During the year under review, the fees paid to the Company's external Hong Kong auditors for audit work amounted to HK$2,750,000 and for non-audit and review activities amounted to HK$356,500 (including HK$220,000 for interim review, HK$36,500 for tax review and HK$100,000 for other related services).

Statement of Directors' 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 31 December 2009, 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 judgments 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 controls 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 (http://www.singamas.com) as well as on independent website provider (http://www.irasia.com/listco/hk/singamas). 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 our shareholders more clear and concise information that may be of common concern. Besides, the Company responds to letters and telephone enquiries from shareholders and potential shareholders throughout the year under review.

Report of the Directors

The directors ("Directors") of Singamas Container Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

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 consolidated financial statements.

Results and Appropriations

The results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 are set out in the consolidated income statement and consolidated statement of comprehensive income on page 60 and page 61, respectively.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2009 (2008: Nil).

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 149 to 150 of this annual report.

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 39 to the consolidated financial statements, respectively.

Property, Plant and Equipment

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

Report of the Directors

Liquidity and Financial Resources

As at 31 December 2009, the Group had bank balances and cash of US$92,533,000 (2008: US$153,647,000) and total interest-bearing borrowings of US$181,786,000 (2008: US$372,009,000). This represented a gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over equity attributable to owners of the Company, of 0.5 (2008: 1.21) 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$92,533,000) over equity attributable to owners of the Company, of 0.24 (2008: 0.71). The decrease in total interest-bearing borrowings was largely attributable to (1) lower working capital requirements as a result from the decline in production output; and (2) the Company used the net proceeds raised by the rights issue and share placement to partially repay the interest-bearing borrowings.

The financial and economic turmoil continued from the second half of 2008 into 2009. The global financial and economic downturn adversely affected new dry freight container demand, which led to a drop in the Group's production output.

With losses incurred during the year, the calculation of interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense for the year ended 31 December 2009 was not relevant (2008: 2.53 times).

Treasury Policies

The Group's revenues are largely transacted in US$ and maintain cash balances mainly in US$. To a lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. To minimise currency risk exposure, a majority of the Group's borrowings, approximately 69.5% of the total as at 31 December 2009 (2008: 79.3%) was in US$ with the balance in RMB. As at 31 December 2009, the Group had one remaining derivative financial instrument, which was initially entered into by the Company to manage its RMB exposure, outstanding with a notional amount of US$7.5 million (2008: US$13.5 million).

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 three years with US$178,124,000 repayable within one year and US$3,662,000 within three years. The Group's borrowings are principally on a floating rate basis.

Bank Borrowings

Details of bank borrowings of the Group and the Company are set out in note 40 to the consolidated financial statements. No interest was capitalised by the Group during the year.

Connected Transactions

The Company has entered into the following connected transactions during 2009 and up to the date of this annual report:

1. On 15 December 2008, the Company entered into five share transfer agreements ("Share Transfer Agreements") with Shanghai Universal Logistics Equipment Co., Ltd. ("Shanghai Universal") under which the Company conditionally agreed to acquire from Shanghai Universal 20% equity interest in each of Hui Zhou Pacific Container Co., Ltd. ("Hui Zhou Pacific") and Ningbo Pacific Container Co., Ltd. ("Ningbo Pacific") at a cash consideration of RMB65,450,000 (equivalent to approximately HK$74,046,838) and RMB29,920,000 (equivalent to approximately HK$33,849,983) respectively, and to dispose its entire 20%, 20% and 10% equity interest in Dong Fang International Container (Guang Zhou) Co., Ltd., Dong Fang International Container (Jin Zhou) Co., Ltd. and Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd., respectively to Shanghai Universal at a cash consideration of RMB30,460,000 (equivalent to approximately HK$34,460,912), RMB30,500,000 (equivalent to approximately HK$34,506,166) and RMB11,820,000 (equivalent to approximately HK$13,372,553) (collectively the "Transactions").

   As Shanghai Universal was a substantial shareholder of each of Hui Zhou Pacific and Ningbo Pacific, which are non-wholly owned subsidiaries of the Company, Shanghai Universal was a connected person of the Company and the Transactions therefore constituted connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

   Based on the five tests, certain percentage ratios exceeded 5% but less than 25%, the Transactions also constituted discloseable transactions of the Company under the Listing Rules.

   As certain percentage ratios exceeded 2.5% but less than 25% and the total considerations paid on the two aforesaid acquisitions and the total considerations received on the three aforesaid disposals exceeded HK$10,000,000, respectively, the Transactions fell under Rule 14A.16(5) of the Listing Rules. Accordingly, the Transactions were subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

   The Transactions were approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 21 January 2009 by way of a poll.

2. On 3 March 2009, the Company announced a proposal to raise approximately HK$492.0 million in gross proceeds by issuing not less than 1,405,825,520 rights shares ("Rights Shares") at the subscription price of HK$0.35 per Rights Share on the basis of two Rights Shares for every one existing share of the Company in issue (the "Rights Issue"). The Rights Issue was approved by the independent shareholders of the Company at an extraordinary general meeting held on 3 April 2009 by way of a poll.

Pacific International Lines (Private) Limited ("PIL"), the substantial shareholder of the Company, undertook to subscribe in the Rights Issue by taking up its entitlement of a total of 629,528,356 Rights Shares ("PIL's Rights Shares"). The Rights Issue (other than PIL's Rights Shares) was fully underwritten by DBS Asia Capital Limited (the "Underwriter"), on the terms and subject to the conditions set out in the underwriting agreement dated 3 March 2009 ("Underwriting Agreement") entered into among the Company, PIL and the Underwriter in relation to the Rights Issue. Pursuant to the sub-underwriting letter dated 3 March 2009 ("Sub-underwriting Letter") from the Underwriter to Strategic Times Limited ("STL"), a wholly-owned subsidiary of PIL and the confirmation of acceptance by STL, STL undertook to subscribe for up to 582,222,873 Rights Shares if called upon by the Underwriter on the terms and subject to the conditions set out therein. Under the terms of the Sub-underwriting Letter, STL entitled to a sub-underwriting commission of 2% of the total subscription price of such 582,222,873 Rights Shares paid by the Company to STL in cash upon completion of the Rights Issue.

The sub-underwriting arrangement pursuant to the Underwriting Agreement and the Sub-underwriting Letter constituted a connected transaction of the Company under the Listing Rules but was exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Based on the sub-underwriting commission paid by the Company to STL in the amount of HK$4,075,560, the payment of such sub-underwriting commission to STL constituted a connected transaction of the Company subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules. The sub-underwriting commission was determined among the parties on an arm's length basis having considered, among other things, the prevailing market condition and the commission payable in other similar transactions in the market. The Directors considered the sub-underwriting arrangement (including the sub-underwriting commission paid to STL) were on normal commercial terms and fair and reasonable and were in the interests of the Company and its shareholders as a whole.

As at 4:00 p.m. on Wednesday, 22 April 2009, being the latest time for payment and acceptance of the Rights Shares and the application and payment for the excess Rights Shares: (a) a total of 204 valid acceptances in respect of 1,353,564,066 Rights Shares provisionally allotted under the Rights Issue were received, representing 96.3% of the total number of the Rights Shares available under the Rights Issue; and (b) a total of 131 valid applications for 1,662,509,064 excess Rights Shares were received, representing approximately 118.2% of the total number of the Rights Shares available under the Rights Issue. In aggregate, a total of 335 valid acceptances and applications in respect of 3,016,073,130 Rights Shares, representing approximately 214.5% of the total number of the Rights Shares available under the Rights Issue, were received. Accordingly, the Rights Issue was over-subscribed.

As all the conditions set out in the Underwriting Agreement were fulfilled and the Underwriting Agreement was not terminated by the Underwriter on or before 4:00 p.m. on Friday, 24 April 2009, the Underwriting Agreement became unconditional after 4:00 p.m. on that same day. Given that the Rights Issue was over-subscribed, the obligations of the Underwriter under the Underwriting Agreement had been fully discharged.

The Rights Shares, in fully-paid form, were allotted and issued on Wednesday, 29 April 2009 and the dealings of the Rights Shares, in fully-paid form, commenced on the Stock Exchange at 9:30 a.m. on Monday, 4 May 2009.

Immediate after the Rights Issue became unconditional, adjustments were made to the exercise price and number of outstanding share options to subscribe for shares of the Company ("Shares") granted pursuant to the share option scheme adopted by the Company on 1 June 2007 (the "Option Scheme").

The following table sets out the adjustments that were made:

	Before adjustments		**After adjustments**	
Date of grant	**Exercise price of each option** (HK$)	**Number of share options**	**Exercise price of each option** (HK$)	**Number of share options**
28 June 2007	5.14	18,400,000	3.93	24,039,600
6 August 2008	1.93	8,740,000	1.48	11,418,810
Total number of options		27,140,000		35,458,410

3. On 30 October 2009, the Company entered into a share transfer agreement with Hiking Group Co., Ltd. ("Hiking Group") under which the Company agreed to acquire from Hiking Group 2.78% equity interest in Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific") at a cash consideration of US$600,000 (equivalent to approximately HK$4,650,000).

As Hiking Group is a substantial shareholder of Qingdao Singamas Industrial Vehicles Co., Ltd., which is a non-wholly owned subsidiary of the Company, hence Hiking Group is a connected person of the Company and entering into the share transfer agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the five tests, each of the percentage ratios (other than profit ratio) was less than 2.5% but the consideration paid exceeded HK$1,000,000, entering into the share transfer agreement fell under Rule 14A.16(2) of the Listing Rules. Accordingly, it was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

During 2009, the Group had the following continuing connected transactions:

1. On 31 December 2007, 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 "2008 Terminal Agreement") with Pacific International Lines (H.K.) Limited ("PILHK") to take effect from 1 January 2008, for a term of three years and will be ending on 31 December 2010. 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 2008 Terminal Agreement involves transactions, which occur on a recurring basis over a period of time, the transactions constitute continuing connected transaction of the Company under the Listing Rules.

   It was estimated that the amount of STHK's transactions with PILHK, on annual basis, for the three years commencing on 1 January 2008 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 have been disclosed by way of an announcement published in compliance with the Listing Rules.

2. On 11 April 2008, Singamas Management Services Limited ("SMSL"), a wholly-owned subsidiary of the Company, entered into a master purchase agreement (the "2009 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 the 2009 Master Purchase Agreement constituted a connected transaction. As the 2009 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. It was estimated that certain percentage ratios would exceed 25% on an annual basis for the financial year ending on 31 December 2009 and for the two financial years commencing from 1 January 2010, 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 6 June 2008, the 2009 Master Purchase Agreement has taken effect from 1 January 2009, and will be ending on 31 December 2011.

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, conducted on normal commercial terms and entered into in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and on terms no less favourable than those available to or from independent third parties. The total amount of such transactions for the year ended on 31 December 2009 did not exceed the annual cap of HK$52 million;

(b) those continuing connected transactions between SMSL and PIL are entered into in the ordinary and usual course of business of the Group, conducted on normal commercial terms and entered into in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and on terms no less favourable than those available to or from independent third parties. The total amount of such transactions for the year ended on 31 December 2009 did not exceed the annual cap of US$100 million (equivalent to approximately HK$780 million).

Pursuant to Rule 14A.38 of the Listing Rules, the board of Directors ("Board") engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the above continuing connected transactions of the Group and the auditors has reported their factual findings on these procedures to the Board.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Share Placement

A placing agreement and a subscription agreement were entered into on 18 November 2009.

Under the terms of the placing agreement, a total of 300,000,000 existing ordinary shares held originally by PIL was placed at the price of HK$1.30 per ordinary share ("Placing Price") to independent placees ("Placing"). Pursuant to the subscription agreement, PIL subscribed for 300,000,000 new ordinary shares of HK$0.10 each ("New Shares") issued by the Company at HK$1.26 per share, arrived at the equivalent of the Placing Price net of the costs of the Placing ("Subscription"). The closing market price of the New Shares was HK$1.27 on 27 November 2009, being the date of completion of Subscription.

Immediately after the completion of the Placing and Subscription, the issued share capital of the Company was enlarged by the allotment of the New Shares. As a result, PIL's shareholding interest in the Company at that time was diluted from approximately 44.78% to 39.20% of the issued share capital of the Company.

The net proceeds from the completion of the Subscription were approximately HK$379.4 million. It is the intention of the Directors to use the net proceeds for existing and future business development as well as for general working capital of the Group.

Charges on Assets

As at 31 December 2009, no asset of the Group (2008: nil) was pledged as securities to any third parties.

Contingent Liabilities

During 2009, the Company provided guarantees to banks as securities for credit facilities granted to certain subsidiaries and a jointly controlled entity in the People's Republic of China (the "PRC"). As at 31 December 2009, total amounts of credit facilities of which guarantees were provided, utilised by subsidiaries and a jointly controlled entity were US$123,145,000 (2008: US$124,205,000) and US$8,690,000 (2008: US$12,435,000) respectively.

Report of the Directors

Share Capital

Details of share capital are set out in note 37 to the consolidated 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 31 December 2009.

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. 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.

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. Ngan Man Kit, Alexander *(resigned on 1 January 2009)*
Mr. Teo Tiou Seng
Mr. Jin Xu Chu# *(re-designated as Non-executive Director on 1 January 2010)*
Mr. Kuan Kim Kin#
Mr. Lau Ho Man* *(appointed on 1 May 2009)*
Mr. Ong Ka Thai*
Mr. Yang, Victor*

** Independent Non-executive Director*
 # Non-executive Director

In accordance with the provisions of the Company's articles of association ("Articles"), every Director not being a managing Director shall retire from office at annual general meetings 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 is for a year and is subject to retirement and re-election at the annual general meeting in accordance with the Company's Articles.

The Company has received annual confirmation of independence from each of Mr. Lau Ho Man, Mr. Ong Ka Thai and Mr. Yang, Victor and considered them as independent.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2009, the interests or short positions of the Directors in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(A) Ordinary Shares of HK$0.10 each of the Company

Name	Capacity	Number of Shares/Underlying Shares Held Personal Interest	Corporate Interest	Total Interest	Percentage of Issued Shares
Mr. Chang Yun Chung *(Notes 1 & 2)*	Beneficial Owner	1,110,525	945,184,534	946,295,059	39.29
Mr. Teo Siong Seng *(Note 3)*	Beneficial Owner	47,496,250	—	47,496,250	1.97
Mr. Teo Tiou Seng *(Note 4)*	Beneficial Owner	1,492,730	—	1,492,730	0.06

Notes:

(1) A total of 945,184,534 Shares are held by PIL in which Mr. Chang Yun Chung is interested, in aggregate, in 496,800,000 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 79,275,000 shares and corporate interests in 175,500,000 shares through South Pacific International Holdings Limited, a company in which he holds 1.87% of the issued share capital and 242,025,000 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, both of their interests in shares of PIL comprise personal interests in 3,600,000 shares and 2,400,000 shares respectively and representing 0.65% and 0.43% of the issued share capital of PIL.

(2) The personal interest of Mr. Chang Yun Chung represents the interest in 1,110,525 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".

(3) The personal interest of Mr. Teo Siong Seng represents the interest in 36,391,000 Shares and interest in 11,105,250 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".

(4) The personal interest of Mr. Teo Tiou Seng represents the interest in 944,000 Shares and interest in 548,730 underlying Shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".

(5) Other Directors do not hold any interests in the Company's securities, except for their interests in the underlying Shares in respect of the share options granted by the Company, details of which are stated in the following section "Share Options".

All the interests disclosed above represent long position in the Shares and underlying Shares.

(B) Share Options

Particulars of the Option Scheme are set out in note 38 to the consolidated financial statements.

Movements of the share options under the Option Scheme during the year are as follows:

Name/Category of Participants	Number of Share Options: As at 1 January 2009	Adjusted Balance after the Rights Issue *(Note a)*	Granted	Exercised	Lapsed	As at 31 December 2009	Grant Date	Exercisable Period *(Notes b & c)*	Exercise Price HK$ *(Note a)*
Directors									
Chang Yun Chung	200,000	261,300	—	—	—	261,300	28/6/2007	28/6/2008-27/6/2017	3.93
	200,000	261,300	—	—	—	261,300	28/6/2007	28/6/2009-27/6/2017	3.93
	200,000	261,300	—	—	—	261,300	28/6/2007	28/6/2010-27/6/2017	3.93
	83,333	108,875	—	—	—	108,875	6/8/2008	6/8/2009-5/8/2018	1.48
	83,333	108,875	—	—	—	108,875	6/8/2008	6/8/2010-5/8/2018	1.48
	83,334	108,875	—	—	—	108,875	6/8/2008	6/8/2011-5/8/2018	1.48
	850,000	1,110,525	—	—	—	1,110,525			
Teo Siong Seng	2,000,000	2,613,000	—	—	—	2,613,000	28/6/2007	28/6/2008-27/6/2017	3.93
	2,000,000	2,613,000	—	—	—	2,613,000	28/6/2007	28/6/2009-27/6/2017	3.93
	2,000,000	2,613,000	—	—	—	2,613,000	28/6/2007	28/6/2010-27/6/2017	3.93
	833,333	1,088,750	—	—	—	1,088,750	6/8/2008	6/8/2009-5/8/2018	1.48
	833,333	1,088,750	—	—	—	1,088,750	6/8/2008	6/8/2010-5/8/2018	1.48
	833,334	1,088,750	—	—	—	1,088,750	6/8/2008	6/8/2011-5/8/2018	1.48
	8,500,000	11,105,250	—	—	—	11,105,250			
Hsueh Chao En	500,000	653,250	—	—	—	653,250	28/6/2007	28/6/2008-27/6/2017	3.93
	500,000	653,250	—	—	—	653,250	28/6/2007	28/6/2009-27/6/2017	3.93
	500,000	653,250	—	—	—	653,250	28/6/2007	28/6/2010-27/6/2017	3.93
	200,000	261,300	—	—	—	261,300	6/8/2008	6/8/2009-5/8/2018	1.48
	200,000	261,300	—	—	—	261,300	6/8/2008	6/8/2010-5/8/2018	1.48
	200,000	261,300	—	—	—	261,300	6/8/2008	6/8/2011-5/8/2018	1.48
	2,100,000	2,743,650	—	—	—	2,743,650			
Teo Tiou Seng	100,000	130,650	—	—	—	130,650	28/6/2007	28/6/2008-27/6/2017	3.93
	100,000	130,650	—	—	—	130,650	28/6/2007	28/6/2009-27/6/2017	3.93
	100,000	130,650	—	—	—	130,650	28/6/2007	28/6/2010-27/6/2017	3.93
	40,000	52,260	—	—	—	52,260	6/8/2008	6/8/2009-5/8/2018	1.48
	40,000	52,260	—	—	—	52,260	6/8/2008	6/8/2010-5/8/2018	1.48
	40,000	52,260	—	—	—	52,260	6/8/2008	6/8/2011-5/8/2018	1.48
	420,000	548,730	—	—	—	548,730			

Name/Category of Participants	Number of Share Options: As at 1 January 2009	Adjusted Balance after the Rights Issue *(Note a)*	Granted	Exercised	Lapsed	As at 31 December 2009	Grant Date	Exercisable Period *(Notes b & c)*	Exercise Price HK$ *(Note a)*
Jin Xu Chu	400,000	522,600	–	–	–	522,600	28/6/2007	28/6/2008-27/6/2017	3.93
	400,000	522,600	–	–	–	522,600	28/6/2007	28/6/2009-27/6/2017	3.93
	400,000	522,600	–	–	–	522,600	28/6/2007	28/6/2010-27/6/2017	3.93
	166,666	217,750	–	–	–	217,750	6/8/2008	6/8/2009-5/8/2018	1.48
	166,667	217,750	–	–	–	217,750	6/8/2008	6/8/2010-5/8/2018	1.48
	166,667	217,750	–	–	–	217,750	6/8/2008	6/8/2011-5/8/2018	1.48
	1,700,000	2,221,050	–	–	–	2,221,050			
Kuan Kim Kin	100,000	130,650	–	–	–	130,650	28/6/2007	28/6/2008-27/6/2017	3.93
	100,000	130,650	–	–	–	130,650	28/6/2007	28/6/2009-27/6/2017	3.93
	100,000	130,650	–	–	–	130,650	28/6/2007	28/6/2010-27/6/2017	3.93
	40,000	52,260	–	–	–	52,260	6/8/2008	6/8/2009-5/8/2018	1.48
	40,000	52,260	–	–	–	52,260	6/8/2008	6/8/2010-5/8/2018	1.48
	40,000	52,260	–	–	–	52,260	6/8/2008	6/8/2011-5/8/2018	1.48
	420,000	548,730	–	–	–	548,730			
Ong Ka Thai	100,000	130,650	–	–	–	130,650	28/6/2007	28/6/2008-27/6/2017	3.93
	100,000	130,650	–	–	–	130,650	28/6/2007	28/6/2009-27/6/2017	3.93
	100,000	130,650	–	–	–	130,650	28/6/2007	28/6/2010-27/6/2017	3.93
	40,000	52,260	–	–	–	52,260	6/8/2008	6/8/2009-5/8/2018	1.48
	40,000	52,260	–	–	–	52,260	6/8/2008	6/8/2010-5/8/2018	1.48
	40,000	52,260	–	–	–	52,260	6/8/2008	6/8/2011-5/8/2018	1.48
	420,000	548,730	–	–	–	548,730			
Sub-total	14,410,000	18,826,665	–	–	–	18,826,665			
	Movement of the share options granted to a former director is described in note (d).								
Employees *(Note e)* **In aggregate**									
	2,000,000	2,613,000	–	–	–	2,613,000	28/6/2007	28/6/2008-27/6/2017	3.93
	2,000,000	2,613,000	–	–	–	2,613,000	28/6/2007	28/6/2009-27/6/2017	3.93
	2,000,000	2,613,000	–	–	–	2,613,000	28/6/2007	28/6/2010-27/6/2017	3.93
	1,176,666	1,537,315	–	–	17,420	1,519,895	6/8/2008	6/8/2009-5/8/2018	1.48
	1,176,667	1,537,315	–	–	17,420	1,519,895	6/8/2008	6/8/2010-5/8/2018	1.48
	1,176,667	1,537,315	–	–	17,420	1,519,895	6/8/2008	6/8/2011-5/8/2018	1.48
Sub-total	9,530,000	12,450,945	–	–	52,260	12,398,685			

Report of the Directors

Name/Category of Participants	As at 1 January 2009	Adjusted Balance after the Rights Issue (Note a)	Granted	Exercised	Lapsed	As at 31 December 2009	Grant Date	Exercisable Period (Notes b & c)	Exercise Price HK$ (Note a)
	Number of Share Options								
All other employees In aggregate									
	733,333	958,100	—	—	—	958,100	28/6/2007	28/6/2008-27/6/2017	3.93
	733,334	958,100	—	—	—	958,100	28/6/2007	28/6/2009-27/6/2017	3.93
	733,333	958,100	—	—	—	958,100	28/6/2007	28/6/2010-27/6/2017	3.93
	333,333	435,500	—	—	17,420	418,080	6/8/2008	6/8/2009-5/8/2018	1.48
	333,333	435,500	—	—	17,420	418,080	6/8/2008	6/8/2010-5/8/2018	1.48
	333,334	435,500	—	—	17,420	418,080	6/8/2008	6/8/2011-5/8/2018	1.48
Sub-total	3,200,000	4,180,800	—	—	52,260	4,128,540			
Total	27,140,000	35,458,410	—	—	104,520	35,353,890			

Notes:

(a) *Immediate after the Rights Issue became unconditional, adjustments were made to the exercise price and the number of outstanding share options to subscribe for Shares granted pursuant to the Option Scheme.*

(b) *The share options with the exercise price of HK$3.93 are vested or to be vested and exercisable in three tranches on 28 June 2008, 2009 and 2010 respectively and up to 27 June 2017.*

(c) *The share options with the exercise price of HK$1.48 are vested or to be vested and exercisable in three tranches on 6 August 2009, 2010 and 2011 respectively and up to 5 August 2018.*

(d) *Mr. Ngan Man Kit, Alexander ("Mr. Ngan"), a former Director, resigned from office with effect from 1 January 2009. Pursuant to the Option Scheme, the unvested share options (320,000 shares) held by Mr. Ngan were lapsed on the date of his resignation, while the vested share options (100,000 shares) were lapsed one month after the date of his resignation.*

(e) *Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.*

At no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of Directors, nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company or the Stock Exchange and none of 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 31 December 2009, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any Director or chief executive of the Company, the following persons (other than the interests of certain Directors disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	*Notes*	Number of Ordinary Shares of HK$0.10 Each Direct Interest	Number of Ordinary Shares of HK$0.10 Each Indirect Interest	Percentage of Total Issued Shares
Madam Lee Kheng Wah	*(1)*	—	946,295,059 (L)#	39.29
PIL	*(2)*	945,184,534 (L)#	—	39.24
Y.C. Chang & Sons Private Limited	*(3)*	—	945,184,534 (L)#	39.24
FIL Limited		143,972,000 (L)#	—	5.98

(L)# – Long Position
(S)# – Short Position

Notes:

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

(2) A full explanation of these Shares is disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

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

Save as disclosed above, there was no other person known to the Directors or chief executive, other than the Directors or chief executive of the Company, who, as at 31 December 2009, had an interest or a short position in the Shares and underlying Shares 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 1 January 2008. Thereafter, the service agreement is valid for a further three years, unless terminated by either party giving at least three months' notice. As at 31 December 2009, 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.

Report of the Directors

Directors' Interests in Contracts of Significance

Other than disclosed in note 46 to the consolidated 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 businesses), no contracts of significance in relation to the Group's business to which the Company, its ultimate 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.

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	17.0%
Percentage of purchases attributable to the Group's five largest suppliers	41.3%
Percentage of sales attributable to the Group's largest customer	10.3%
Percentage of sales attributable to the Group's five largest customers	36.1%

During the year, none of the Directors or 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 consolidated 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 15 to 19 under the Directors and Senior Management Profile section of this annual report.

Remuneration Policies and Employee Relations

As at 31 December 2009, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 5,717 (2008: 8,356) full-time employees. Staff costs (including Directors' emoluments) amounted to US$30.1 million (2008: US$76.9 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. Share options are also being offered to selected grantees of the Group. 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.

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, 24 March 2010

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. None of them is 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. reviewed the Group's consolidated financial statements for the year ended 31 December 2008 and for the six months ended 30 June 2009;

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

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

4. considered and approved the 2009 audit fees for the external auditors;

5. reviewed the "connected transactions" set forth on pages 43 to 45 of this annual report;

6. reviewed the "continuing connected transactions" set forth on pages 46 to 47 of this annual report; and

7. reviewed the effectiveness of the internal control and risk management systems of the Group.

On 23 March 2010, the Audit Committee met to review the 2009 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with external auditors. Based on this review and discussions with the management, internal auditors and external auditors, the Audit Committee endorsed the accounting treatment adopted by the Company and had, to the best of its ability, assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix 16 of the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31 December 2009 for public release.

The Audit Committee also recommended the re-appointment of Deloitte Touche Tohmatsu as the Group's external auditors for 2010 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2010 annual general meeting.

The Audit Committee has regular meetings at least twice a year. In 2009, a total of three meetings were convened and held with satisfactory attendance.

Current Members of the Audit Committee
Ong Ka Thai *(Chairman)*
Kuan Kim Kin
Yang, Victor

Hong Kong, 24 March 2010

Remuneration Committee Report

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

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

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

1. reviewed and made recommendations to the Board on the Company's Directors' fees for the financial year of 2009;

2. reviewed and made recommendations to the Board on the salary adjustment of the Company's executive Directors and senior management staff;

3. formulated service contracts for the Company's non-executive Directors; and

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

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 consolidated financial statements on pages 108 to 109.

The Remuneration Committee meets at least once a year. During the year under review, a total of two meetings were convened and held and the attendance rate was 100%.

Current Members of the Remuneration Committee
Yang, Victor *(Chairman)*
Kuan Kim Kin
Ong Ka Thai

Hong Kong, 24 March 2010

Independent Auditor's Report

Deloitte.
德勤

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 60 to 148, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' 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.

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 31 December 2009 and of the Group's loss 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

24 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Revenue	7	**274,647**	1,385,269
Other income		**1,945**	1,704
Changes in inventories of finished goods and work in progress		**(17,532)**	(44,962)
Raw materials and consumables used		**(191,775)**	(1,090,505)
Allowance for write-down of inventory		**(18,013)**	—
Staff costs		**(30,146)**	(76,879)
Depreciation and amortisation expense		**(16,352)**	(16,658)
Exchange gain		**2,587**	8,296
Other expenses		**(54,994)**	(93,396)
Finance costs	9	**(10,027)**	(28,108)
Investment income	10	**971**	2,046
Changes in fair value of derivative financial instruments classified as held for trading		**5,818**	(30,457)
Share of results of associates		**665**	1,292
Share of results of jointly controlled entities		**(6,813)**	532
(Loss) profit before taxation	11	**(59,019)**	18,174
Income tax expense	14	**(2,896)**	(6,900)
(Loss) profit for the year		**(61,915)**	11,274
Attributable to:			
Owners of the Company		**(51,914)**	4,515
Minority interests		**(10,001)**	6,759
		(61,915)	11,274
(Loss) earnings per share	16		
Basic and Diluted		**US(2.97) cents**	US0.51 cent

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 US$'000	2008 US$'000
(Loss) profit for the year	**(61,915)**	11,274
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**(39)**	4,021
Total comprehensive (expense) income for the year	**(61,954)**	15,295
Attributable to:		
Owners of the Company	**(51,930)**	7,558
Minority interests	**(10,024)**	7,737
	(61,954)	15,295

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Non-current assets			
Property, plant and equipment	17	**178,822**	188,103
Patents	18	**826**	1,316
Goodwill	19	**5,280**	5,280
Interests in associates	22	**4,887**	4,962
Interests in jointly controlled entities	23	**20,398**	26,461
Available-for-sale investments	25	**1,614**	1,614
Prepaid lease payments	26	**65,083**	60,827
Deferred tax assets	41	**–**	574
Other assets	27	**–**	–
		276,910	289,137
Current assets			
Inventories	28	**203,683**	300,441
Trade receivables	29	**91,698**	94,706
Prepayments and other receivables	30	**63,320**	50,052
Amounts due from fellow subsidiaries	24	**306**	235
Amounts due from associates	24	**1**	1
Amounts due from jointly controlled entities	24	**5,791**	8,500
Amount due from a related company	31	**719**	1,414
Tax recoverable		**709**	105
Prepaid lease payments	26	**1,522**	1,420
Bank balances and cash	33	**92,533**	153,647
		460,282	610,521
Assets classified as held for sale	22 & 25	**–**	7,425
		460,282	617,946
Current liabilities			
Trade payables	34	**55,207**	86,670
Accruals and other payables		**55,434**	46,887
Bills payable	35	**33,233**	17,022
Amount due to ultimate holding company	24	**190**	447
Amounts due to associates	24	**1,207**	1,306
Amounts due to jointly controlled entities	24	**1,135**	2,867
Tax payable		**809**	341
Derivative financial instrument	32	**2,600**	13,000
Deferred payable	36	**95**	165
Bank borrowings	40	**178,124**	346,522
		328,034	515,227
Net current assets		**132,248**	102,719
Total assets less current liabilities		**409,158**	391,856

	Notes	2009 US$'000	2008 US$'000
Capital and reserves			
Share capital	37	**31,034**	9,025
Share premium		**234,087**	145,646
Accumulated profits		**72,694**	125,251
Other reserves		**26,669**	27,872
Equity attributable to owners of the Company		**364,484**	307,794
Minority interests		**39,587**	56,930
Total equity		**404,071**	364,724
Non-current liabilities			
Deferred payable	36	**939**	1,645
Bank borrowings	40	**3,662**	25,487
Deferred tax liabilities	41	**486**	—
		5,087	27,132
		409,158	391,856

The consolidated financial statements on pages 60 to 148 were approved and authorised for issue by the Board of Directors on 24 March 2010 and are signed on its behalf by :

Teo Siong Seng
Director

Teo Tiou Seng
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Non-current assets			
Property, plant and equipment	17	**3,904**	4,116
Patents	18	**517**	717
Investments in subsidiaries	20	**172,488**	191,294
Investments in associates	22	**757**	757
Investments in jointly controlled entities	23	**10,265**	10,265
Available-for-sale investments	25	**669**	669
		188,600	207,818
Current assets			
Prepayments and other receivables		**6,994**	5,346
Amounts due from subsidiaries	21	**222,056**	229,575
Amounts due from associates	24	**1**	1
Amounts due from jointly controlled entities	24	**1,187**	1,139
Bank balances and cash	33	**20,096**	58,522
		250,334	294,583
Assets classified as held for sale	22 & 25	**–**	7,425
		250,334	302,008
Current liabilities			
Accruals and other payables		**1,894**	2,454
Amounts due to subsidiaries	21	**51,548**	75,908
Amount due to ultimate holding company	24	**–**	257
Amounts due to associates	24	**406**	233
Amounts due to jointly controlled entities	24	**–**	2,778
Derivative financial instrument	32	**2,600**	13,000
Deferred payable	36	**95**	165
Bank borrowings	40	**55,000**	173,338
		111,543	268,133
Net current assets		**138,791**	33,875
Total assets less current liabilities		**327,391**	241,693

	Notes	2009 US$'000	2008 US$'000
Capital and reserves			
Share capital	37	**31,034**	9,025
Share premium	39	**234,087**	145,646
Share options reserve	39	**5,415**	4,130
Accumulated profits	39	**55,916**	81,247
		326,452	240,048
Non-current liabilities			
Deferred payable	36	**939**	1,645
		327,391	241,693

Teo Siong Seng
Director

Teo Tiou Seng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company											
	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	Share option reserve US$'000	Other reserve US$'000	Accumulated profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
At 1 January 2008	9,025	145,646	5,138	10,855	2,824	1,361	1,877	—	129,129	305,855	50,013	355,868
Profit for the year	—	—	—	—	—	—	—	—	4,515	4,515	6,759	11,274
Exchange differences arising on translation recognised directly in equity	—	—	3,043	—	—	—	—	—	—	3,043	978	4,021
Total comprehensive income for the year	—	—	3,043	—	—	—	—	—	4,515	7,558	7,737	15,295
Recognition of equity-settled share-based payments	—	—	—	—	—	—	2,503	—	—	2,503	—	2,503
Transfer of forfeited option reserves to accumulated profits	—	—	—	—	—	—	(250)	—	250	—	—	—
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	—	(820)	(820)
Dividend paid to owners of the Company	—	—	—	—	—	—	—	—	(8,122)	(8,122)	—	(8,122)
Transfer from accumulated profits	—	—	—	288	233	—	—	—	(521)	—	—	—
At 31 December 2008	9,025	145,646	8,181	11,143	3,057	1,361	4,130	—	125,251	307,794	56,930	364,724
Loss for the year	—	—	—	—	—	—	—	—	(51,914)	(51,914)	(10,001)	(61,915)
Exchange differences arising on translation recognised directly in equity	—	—	(16)	—	—	—	—	—	—	(16)	(23)	(39)
Total comprehensive expense for the year	—	—	(16)	—	—	—	—	—	(51,914)	(51,930)	(10,024)	(61,954)

	Share capital	Share premium	Exchange translation reserve	General reserve	Development reserve	Revaluation reserve	Share option reserve	Other reserve	Accumulated profits	Total	Minority interests	Total
	Attributable to owners of the Company											
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Issue of ordinary shares on rights issue	18,139	45,348	—	—	—	—	—	—	—	63,487	—	63,487
Rights issue expenses	—	(1,979)	—	—	—	—	—	—	—	(1,979)	—	(1,979)
Issue of ordinary shares on placement	3,870	46,445	—	—	—	—	—	—	—	50,315	—	50,315
Placement expenses	—	(1,373)	—	—	—	—	—	—	—	(1,373)	—	(1,373)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	1,363	—	—	1,363	—	1,363
Transfer of forfeited option reserve to accumulated profits	—	—	—	—	—	—	(78)	—	78	—	—	—
Capital contribution from minority interests	—	—	—	—	—	—	—	—	—	—	3,200	3,200
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	—	(3,734)	(3,734)
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	(3,193)	—	(3,193)	(6,785)	(9,978)
Transfer from accumulated profits	—	—	—	666	55	—	—	—	(721)	—	—	—
At 31 December 2009	**31,034**	**234,087**	**8,165**	**11,809**	**3,112**	**1,361**	**5,415**	**(3,193)**	**72,694**	**364,484**	**39,587**	**404,071**

Pursuant to the relevant People's Republic of China ("PRC") (other than Hong Kong, Macau and Taiwan) regulations applicable to the Group's PRC subsidiaries, 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. 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's relevant authority. The distributable profits of the subsidiaries are determined based on their accumulated profits calculated in accordance with the PRC accounting rules and regulations.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 US$'000	2008 US$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(59,019)**	18,174
Adjustments for :		
Depreciation	**14,442**	14,660
Gain on disposal of property, plant and equipment	**(149)**	(229)
Share of results of associates	**(665)**	(1,292)
Share of results of jointly controlled entities	**6,813**	(532)
Amortisation of patents	**490**	490
Goodwill written off	**746**	—
Gain on derecognition of deferred payable	**(73)**	—
Amortisation of prepaid lease payments	**1,420**	1,424
Amortisation of other assets	**—**	84
Allowance for write-down of inventories	**18,013**	—
Allowance for bad and doubtful debts	**331**	—
Amounts of doubtful debts recovered	**—**	(38)
Recognition of equity-settled share-based payments	**1,363**	2,503
Investment income	**(971)**	(2,046)
Interest expense	**9,128**	24,554
Imputed interest on deferred payable	**48**	60
Operating cash flows before movements in working capital	**(8,083)**	57,812
Decrease (increase) in inventories	**78,745**	(2,191)
Decrease in trade receivables	**2,677**	59,035
(Increase) decrease in prepayments and other receivables	**(13,232)**	156,418
Decrease (increase) in amount due from a related company	**695**	(48)
Decrease in trade payables	**(31,511)**	(60,552)
Increase (decrease) in accruals and other payables	**8,940**	(36,809)
Increase (decrease) in bills payable	**16,211**	(66,835)
(Decrease) increase in derivative financial instrument liability	**(10,400)**	40,160
Cash from operations	**44,042**	146,990
Interest paid	**(9,547)**	(26,702)
Income tax paid	**(1,972)**	(8,957)
Net cash from operating activities	**32,523**	111,331

	2009 US$'000	2008 US$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(5,716)**	(22,533)
Payment of prepaid lease payments	**(5,757)**	—
Capital contributions in the acquisition of additional interests in subsidiaries	**(13,972)**	—
Payment for derecognition of deferred payable	**(600)**	—
Proceeds from disposal of assets held for sales	**10,673**	—
Capital contributions in investment in jointly controlled entities	**(905)**	(2,176)
Decrease in deferred payable	**(151)**	(242)
Proceeds on disposal of property, plant and equipment	**731**	609
Dividends received from associates and jointly controlled entities	**923**	375
Interest received	**744**	1,795
Dividend income from unlisted equity investment	**227**	251
Advances made to fellow subsidiaries	**(2,147)**	(2,261)
Repayment received from fellow subsidiaries	**2,076**	2,360
Repayment received from associates	**—**	10
Advances made to jointly controlled entities	**(2,351)**	(22,091)
Repayment received from jointly controlled entities	**5,060**	17,925
Net cash used in investing activities	**(11,165)**	(25,978)
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares on rights issue	**63,487**	—
Rights issue expenses	**(1,979)**	—
Proceeds from issue of ordinary shares on placement	**50,315**	—
Placement expenses	**(1,373)**	—
New bank loans	**122,642**	592,607
Repayment of bank loans	**(312,926)**	(639,349)
Dividends paid to minority interests	**(3,734)**	(820)
Capital contributed by minority shareholders	**3,200**	—
Dividends paid to owners of the Company	**—**	(8,122)
Advance from ultimate holding company	**256**	5,043
Repayment to ultimate holding company	**(513)**	(4,762)
Repayment to associates	**(99)**	(917)
(Repayment to) advances from jointly controlled entities	**(1,732)**	2,827
Net cash used in financing activities	**(82,456)**	(53,493)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(61,098)**	31,860
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**153,647**	119,048
Effect of foreign exchange rate changes	**(16)**	2,739
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**92,533**	153,647
BALANCE OF CASH AND CASH EQUIVALENTS REPRESENTED BY:		
Bank balances and cash	**92,533**	153,647

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 ("Stock Exchange"). 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 of containers and other related products and providing logistics services.

2 Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("INTs") ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2 Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS") *(Continued)*

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. In addition, the Group has early adopted HKAS 32 (Amendment) Classification of Rights Issues, which is effective for annual periods beginning on or after 1 February 2010, with early adoption permitted.

Early adoption of amendment to HKFRS

HKAS 32 (Amendment) Classification of Rights Issues

HKAS 32 (Amendment) requires that rights issues, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights issues, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Company has early adopted the amendment and the offer of rights by the Company to its shareholders on 29 April 2009 was then accounted for as an equity instrument, as required by the amendment, in the financial statements of the Group and the Company. The early adoption of this amendment has had no material impact on the reported results, basic and diluted loss per share and the financial position of the Group.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (revised 2007) Presentation of Financial Statements

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 8), and has had no impact on the reported results or financial position of the Group.

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value, that the Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

Revised HKFRS not affecting the reported results and/or financial position

HKAS 23 (revised 2007) Borrowing Costs

For those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset when they are incurred, HKAS 23 (revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The revised standard is applied prospectively and has had no impact on the reported results or financial position of the Group.

2 Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS") *(Continued)*

Revised HKFRS not affecting the reported results and/or financial position *(Continued)*

HKAS 23 (revised 2007) Borrowing Costs *(Continued)*

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 *Effective for annual periods beginning on or after 1 July 2009*
2 *Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate*
3 *Effective for annual periods beginning on or after 1 January 2010*
4 *Effective for annual periods beginning on or after 1 July 2010*
5 *Effective for annual periods beginning on or after 1 January 2011*
6 *Effective for annual periods beginning on or after 1 January 2013*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2 Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS") *(Continued)*

Revised HKFRS not affecting the reported results and/or financial position *(Continued)*

HKAS 23 (revised 2007) Borrowing Costs *(Continued)*

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3 Significant Accounting Policies

The consolidated financial statements have been prepared on 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.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(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.

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.

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

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

3 Significant Accounting Policies *(Continued)*

(a) Basis of Consolidation *(Continued)*

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 businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less cost to sell.

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.

(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 statement of financial position at cost, less any identified impairment loss.

3 Significant Accounting Policies *(Continued)*

(d) Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. The identifiable assets, liabilities and contingent liabilities of the subsidiary at the time of the acquisition of additional interest continue to be carried at their then book value in the consolidated statement of financial position. The difference between the fair value of the net assets and the book value of the net assets attributable to the additional interest acquired is recognised as reserve. This reserve represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

(e) 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, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its 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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

3 Significant Accounting Policies *(Continued)*

(e) Investments in associates *(Continued)*

Investments in associates are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sales is highly probable and the investments in associates are available for immediate sale in its present condition. Investments in associates classified as held for sale are no longer accounted for using equity method of accounting and are measured at the lower of the assets' (disposal groups') carrying amount and fair value less costs to sell.

(f) Interests in joint ventures

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

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statement using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's 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 excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with its jointly controlled entities of the Group, 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.

3 Significant Accounting Policies *(Continued)*

(g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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 for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised but not yet impaired is included in the determination of the amount of profit or loss on disposal.

(h) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sales is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (or disposal group) classified as held for sale are measured at the lower of the assets' (disposal groups') previously carrying amount and fair value less costs to sell.

3 Significant Accounting Policies *(Continued)*

(i) Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Estimated useful life
Leasehold land and buildings and site improvements outside Hong Kong	
– on medium term lease	20 to 50 years
– on short lease	5 years
Buildings and site improvements in Hong Kong	
– on short lease	1 to 10 years
Plant and machinery	5 to 15 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 10 years

Construction in progress including property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress and freehold land are stated at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. 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 (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land and buildings under development for owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3 Significant Accounting Policies *(Continued)*

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

Leasehold land and buildings under development for owner-occupied purpose *(Continued)*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

(j) Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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. An impairment loss is recognised as an expense immediately.

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

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, 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.

(l) Patents

Patents represent the cost of acquiring rights to technical know-how for the production and sale of new products. Patents are measured initially at purchase cost and are amortised on a straight-line basis over the shorter of contractual life or estimated useful lives of 5 to 10 years.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position and the Company's statement of financial position when a group entity becomes 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 or 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.

(i) Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from fellow subsidiaries, associates, jointly controlled entities and a related company and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets as fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated the unquoted equity investments as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade payables, other payables, bills payable, amounts due to ultimate holding company, associates and jointly controlled entities and deferred payable are subsequently measured at amortised cost, using the effective interest method.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(ii) Financial liabilities and equity *(Continued)*

Financial liability at fair value through profit or loss

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as hedging instruments.

Financial liability at fair value through profit or loss include held-for-trading derivative financial instrument that is not designated and effective as hedging instrument. At the end of each reporting period subsequent to initial recognition, financial liability at fair value through profit or loss is measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which it arises.

Equity instruments

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

Rights issues issued by the Company to acquire a fixed number of the Company's own equity instruments for a fixed amount of any currency are equity instruments if the Company offers the rights shares pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

(iii) Derivative financial instrument

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iv) 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 due in accordance with the original or modified terms of a debt instrument. 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.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

(n) 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, net of discounts and sales related taxes.

Revenue from manufacturing operations is recognised either at the containers being delivered and title has passed to customers or acceptance notes being issued by customers; depending on the terms of the underlying sales contracts.

Revenue from logistics services operations is recognised when the services are rendered.

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established.

3 Significant Accounting Policies *(Continued)*

(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 in the consolidated income statements on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(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 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 by the end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3 Significant Accounting Policies *(Continued)*

(p) Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised to profit or loss, except when it relates to items that are recognised on other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(q) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the group 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.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of foreign operation.

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 at the end of each reporting period. 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 recognised in other comprehensive income and accumulated in equity (the exchange translation reserve).

3 Significant Accounting Policies *(Continued)*

(q) Foreign currencies *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisitions of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(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 consolidated income statement when employees have rendered services entitling them to the contributions.

Prior to 1 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.

Effective from 1 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 consolidated income statement when employees have rendered services entitling them to the contributions.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(t) Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

3 Significant Accounting Policies *(Continued)*

(t) Share-based payments *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

4 Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables 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 discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). 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. As at 31 December 2009, the carrying amount of trade receivables was US$91,698,000 (net of allowance for doubtful debts of US$342,000) (2008: US$94,706,000 (net of allowance for doubtful debts of US$11,000)).

4 Key Sources of Estimation Uncertainty *(Continued)*

Fair value of derivative financial instruments

As described in note 6c, the Directors use their judgement in selecting an appropriate valuation technique for financial instrument not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instrument, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The fair value of the derivative financial instrument as at 31 December 2009 was estimated at a liability of US$2,600,000 (2008: US$13,000,000).

Estimated allowance for write-down of inventory

Inventories of US$203,683,000 (net of allowance for write-down of inventory of US$18,013,000) (2008: US$300,441,000 (net of allowance for write-down of inventory of US$Nil)) included in the statement of financial position as at 31 December 2009 were carried at the lower of cost and net realisable value. Management conducts assessment on the net realisable value of inventories by reference to their estimated net selling price and other economic conditions of the markets in which the Group's operations are located. If the actual selling prices of inventories are substantially less than the expected due to an adverse market condition or other factors, additional allowance for write-down of inventory may result.

5 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 40, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The Directors review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6 Financial Instruments

a. Categories of financial instruments

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**206,507**	268,349	**247,080**	293,252
Available-for-sale financial assets	**1,614**	1,614	**669**	669
Financial liabilities				
Fair value through profit or loss (FVTPL)				
Derivative financial instrument held for trading	**2,600**	13,000	**2,600**	13,000
Amortised cost	**282,387**	493,811	**107,988**	254,324

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include equity, bank borrowings, available-for-sale investments, derivative financial instrument, trade receivables, other receivables, trade payables, bills payable, other payables, deferred payable and current accounts with ultimate holding company, associates, jointly controlled entities, subsidiaries and a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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.

Market risk

(i) *Currency risk*

Several subsidiaries of the Group have foreign currency sales and purchases, bank and cash and bank borrowings, which expose the Group to foreign currency risk. Approximately 28% (2008: 30%) of the Group's cost of sales and expenses are denominated in currencies other than the functional currency of the relevant group entity making the sales, whilst almost 82% (2008: 98%) of sales are denominated in the group entity's functional currency.

Most of the monetary assets and monetary liabilities of the Company are denominated in US$, the functional currency of the Company.

6 Financial Instruments *(Continued)*

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

Market risk *(Continued)*

(i) *Currency risk (Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Currency of PRC	**142,262**	165,140	**78,910**	87,775
Currency of Hong Kong	**1,390**	1,651	**8,651**	4,791

Sensitivity analysis

The Group is mainly exposed to exchange fluctuation of the currency of PRC (Renminbi ("RMB")).

The sensitivity analyses include financial assets and liabilities denominated in foreign currencies which are different from the functional currency of the relevant Group entities. The following table shows the post-tax profit or loss impact of the foreign currency denominated non-derivative monetary assets and liabilities to change in RMB for the Group. The numbers below indicate the (increase) decrease in post-tax loss (2008: (decrease) increase in post-tax profit) where RMB is 5% (2008: 5%) higher/lower against the US$. This is mainly attributable to the exposure outstanding at the end of the reporting period on RMB bank balances, bank borrowings and payables net of receivables assuming they are outstanding for the whole year:

	2009 US$'000	2008 US$'000
RMB against US$ increase by 5% (2008: 5%)	**(3,017)**	(3,684)
RMB against US$ decrease by 5% (2008: 5%)	**3,017**	3,684

(ii) *Cash flow interest rate risk*

The Group's and the Company's cash flow interest rate risk primarily relates to floating rate borrowings and variable rate bank balances. Interest rate risk on bank balances is considered immaterial due to short maturity. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

6 Financial Instruments *(Continued)*

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

Market risk *(Continued)*

(ii) Cash flow interest rate risk (Continued)

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk on non-derivative financial instruments is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and borrowing rates offered by People's Bank of China arising from the Group's and the Company's variable-rate borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. For floating rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point (2008: 50 basis point) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 25 basis points (2008: 50 basis points) higher / lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2009 would increase / decrease by US$455,000 (2008: post-tax profit would decrease / increase by US$1,154,000). The Company's post-tax loss for the year ended 31 December 2009 would increase / decrease by US$138,000 (2008: post-tax loss would increase / decrease by US$724,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

The Group's and the Company's sensitivity to interest rates has decreased during the current year mainly due to the decrease in floating rate bank borrowings.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in unquoted equity securities. No sensitivity analysis is presented as the Group's investments in unquoted equity securities are measured at cost less any identified impairment losses at the end of each reporting period.

In addition, the Company has entered into a swap derivative. As at 31 December 2009, the Company has an outstanding swap contract with an remaining notional amount of US$7,500,000 (2008: US$13,500,000) in relation to change in spot rate of RMB against US$ ("FOREX") and Constant Maturity Swap ("CMS"), which expose the Group and the Company to price risk.

6 Financial Instruments *(Continued)*

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

Market risk *(Continued)*

(iii) *Other price risk (Continued)*

Sensitivity analysis on CMS with other variables constant

The following table details the Group's and the Company's sensitivity to a 5 basis point increase and decrease in the volatility of CMS, being the reasonably possible change used by the management for internal reporting purpose. The sensitivity analysis includes the only outstanding swap derivative as at 31 December 2009 and adjust as at 31 December 2009 a 5 basis point change in the volatility of CMS if applicable, holding other variables constant.

The table shows the post-tax loss impact of the swap derivative to profit or loss due to change in the volatility of CMS (for the Group and the Company). The numbers below indicate the decrease (increase) in post-tax loss where the volatility of CMS increase/decrease 5 basis point, and all other variables were held constant:

	2009 US$'000
CMS increase by 5 basis point	**300**
CMS decrease by 5 basis point	**(505)**

As at 31 December 2008, as a 5 basis point increase/decrease in the volatility of CMS, being the reasonably possible change used by the management for internal reporting purpose, would not affect the fair value of the remaining swap contract, and the sensitivity analysis of which was not presented accordingly.

Sensitivity analysis on FOREX with other variables constant

The following table details the Group's and the Company's sensitivity to a 5% (2008: 5%) increase and decrease in RMB against US$. Five per cent. is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the only outstanding swap derivative as at 31 December 2009 and adjust at the year end for a 5% (2008: 5%) change in foreign currency rates if applicable, holding other variables constant.

6 Financial Instruments *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk (Continued)

The table shows the post-tax loss (2008: post-tax profit) impact of the swap derivative to income statement due to change in RMB against US$ (for the Group and the Company). The numbers below indicate the decrease (increase) in post-tax loss (2008: increase (decrease) in post-tax profit) where RMB is 5% (2008: 5%) higher/lower against the US$, and all other variables were held constant:

	2009 US$'000	2008 US$'000
RMB against US$ increase by 5%	**380**	710
RMB against US$ decrease by 5%	**(380)**	(650)

Credit risk

As at 31 December 2009, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 43. 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 the end of each reporting period to ensure the adequate impairment losses are made for irrecoverable amounts. With respect to financial guarantees provided to subsidiaries and a jointly controlled entity by the Company, the Directors consider the credit risk is limited because the subsidiaries and the jointly controlled entity have strong financial positions. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

With respect to amounts due from subsidiaries, jointly controlled entities, associates, fellow subsidiaries and a related company, the Directors consider the credit risk is limited because they have strong financial positions.

The credit risk on bank deposits 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.

6 Financial Instruments *(Continued)*

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

Credit risk *(Continued)*

The Group has concentration of credit risk as 13.58% (2008: 18.70%) and 46.39% (2008: 51.89%) of the total trade receivable was due from the Group's largest customer and the five largest customers, respectively, within the business segment. The Group has assessed the creditworthiness of these customers, all of these customers have strong financial backgrounds and high credit-rating within the industry. In this regard, the Directors considered that the credit risk is low. The Group also has concentration of geographical risk as 54.25% (2008: 59.47%) of the Group's turnover was generated from the customers from United States of America and Europe.

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 or to timely negotiate with the lenders if any non-compliance is expected.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instrument is prepared based on the contractual maturity as the management considers that the contractual maturity is essential for an understanding of the timing of the cash flows of derivatives.

6 Financial Instruments *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables

Group
2009

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2009 US$'000
Derivative financial liability – net settlement								
Derivative financial instrument held for trading *(Note)*	—	—	215	1,743	642	—	2,600	2,600
Non-derivative financial liabilities								
Trade payables	—	22,949	32,258	—	—	—	55,207	55,207
Other payables	—	6,507	1,187	901	—	—	8,595	8,595
Bills payable	—	7,438	23,839	1,956	—	—	33,233	33,233
Amount due to ultimate holding company	—	190	—	—	—	—	190	190
Amounts due to associates	—	1,207	—	—	—	—	1,207	1,207
Amounts due to jointly controlled entities	—	1,135	—	—	—	—	1,135	1,135
Bank loans – interest bearing borrowings*	3.59%	87,744	19,168	73,168	3,999	—	184,079	181,786
Deferred payable	10%	—	—	152	608	7,243	8,003	1,034
Financial guarantee contracts		838	1,465	6,387	—	—	8,690	—
		128,008	77,917	82,564	4,607	7,243	300,339	282,387

6 Financial Instruments *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

Group *(Continued)*

2008

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2008 US$'000
Derivative financial liability – net settlement								
Derivative financial instrument held for trading *(Note)*	—	—	1,500	4,500	7,000	—	13,000	13,000
Non-derivative financial liabilities								
Trade payables	—	63,250	23,420	—	—	—	86,670	86,670
Other payables	—	8,366	1,616	1,698	—	—	11,680	11,680
Bills payable	—	7,950	7,517	1,555	—	—	17,022	17,022
Amount due to ultimate holding company	—	447	—	—	—	—	447	447
Amounts due to associates	—	1,306	—	—	—	—	1,306	1,306
Amounts due to jointly controlled entities	—	2,867	—	—	—	—	2,867	2,867
Bank loans								
– interest bearing borrowings*	4.59%	345,353	—	1,885	27,600	—	374,838	372,009
Deferred payable	10%	—	—	242	968	11,595	12,805	1,810
Financial guarantee contracts		695	—	11,740	—	—	12,435	—
		430,234	32,553	17,120	28,568	11,595	520,070	493,811

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

* *For the Group's interest bearing borrowings, the weighted average effective interest rate at the end of each reporting period is used for undiscounted cash flows analysis.*

Note: *The undiscounted cash flow of derivative financial instrument was determined assuming all variables used in the fair value calculation at the end of each reporting period remained the same until maturity.*

6 Financial Instruments *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

Company
2009

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2009 US$'000
Derivative financial liability – net settlement								
Derivative financial instrument held for trading *(Note)*	—	—	215	1,743	642	—	2,600	2,600
Non-derivative financial liabilities								
Amounts due to subsidiaries	—	51,548	—	—	—	—	51,548	51,548
Amounts due to associates	—	406	—	—	—	—	406	406
Bank loans								
– interest bearing borrowings*	1.98%	55,045	—	—	—	—	55,045	55,000
Deferred payable	10%	—	—	152	608	7,243	8,003	1,034
Financial guarantee contracts		30,223	35,833	62,118	3,661	—	131,835	—
		137,222	35,833	62,270	4,269	7,243	246,837	107,988

6 Financial Instruments *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

Company *(Continued)*

2008

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2008 US$'000
Derivative financial liability – net settlement								
Derivative financial instrument held for trading *(Note)*	—	—	1,500	4,500	7,000	—	13,000	13,000
Non-derivative financial liabilities								
Amount due to ultimate holding company	—	257	—	—	—	—	257	257
Amounts due to subsidiaries	—	75,908	—	—	—	—	75,908	75,908
Amounts due to associates	—	233	—	—	—	—	233	233
Amounts due to jointly controlled entities	—	2,778	—	—	—	—	2,778	2,778
Bank loans								
– interest bearing borrowings*	3.02%	173,553	—	—	—	—	173,553	173,338
Deferred payable	10%	—	—	242	968	11,595	12,805	1,810
Financial guarantee contracts		6,260	17,853	87,040	25,487	—	136,640	—
		258,989	17,853	87,282	26,455	11,595	402,174	254,324

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

* *For the Company's interest bearing borrowings, the weighted average effective interest rate at the end of each reporting period is used for undiscounted cash flows analysis.*

Note: *The undiscounted cash flow of derivative financial instrument was determined assuming all variables used in the fair value calculation at the end of each reporting period remained the same until maturity.*

6 Financial Instruments *(Continued)*

c. Fair value of financial instruments

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

- the fair value of other financial assets and financial liabilities (excluding derivative financial instrument) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input; and

- the fair value of derivative instrument is made of discounted cash flow analysis using the application yield curve and forward rate for the duration of the instrument for non-optional derivatives.

Fair value measurements recognised in the statements of financial position

The derivative financial instrument held for trading, which classified as financial liability at FVTPL, with notional amount of US$7.5 million (2008: US$13.5million) is measured subsequent to initial recognition at fair value, which is grouped into Level 3 measurement. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Reconciliation of Level 3 fair value measurement of financial liability in respect of the derivative financial instrument

	2009 US$'000
At 1 January	**13,000**
Total gain recognised in profit or loss	**(5,818)**
Settlements	**(4,582)**
At 31 December	**2,600**

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

7 Revenue

Revenue represents sales of goods from manufacturing and services income from logistics services operations, less returns, discounts and sales related taxes, and is analysed as follows:

	2009 US$'000	2008 US$'000
Manufacturing	**237,440**	1,347,171
Logistics services	**37,207**	38,098
	274,647	1,385,269

8 Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Information reported to the Group's chief operating decision maker (i.e. Chief Executive Officer) for the purpose of resource allocation and assessment of performance are organised into two operating divisions – manufacturing and logistics services. The identification of the Group's reportable segments under HKFRS 8 is consistent with the prior year's presentation of business segments under HKAS 14. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Manufacturing	–	manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, other specialised containers, container parts and container chassis.
Logistics services	–	provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling, mid-stream services and other container related services.

8 Segment Information *(Continued)*

Information regarding these segments is presented below:

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Segment result	
	For the year ended 31 December			
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Manufacturing	**237,479**	1,347,171	**(57,178)**	62,597
Logistics services	**37,416**	38,874	**7,545**	10,272
Inter-segment sales *(Note)*	**(248)**	(776)	**—**	—
Total	**274,647**	1,385,269	**(49,633)**	72,869
Finance costs			**(10,027)**	(28,108)
Investment income			**971**	2,046
Changes in fair value of derivative financial instruments			**5,818**	(30,457)
Share of results of associates			**665**	1,292
Share of results of jointly controlled entities			**(6,813)**	532
(Loss) profit before taxation			**(59,019)**	18,174
Income tax expense			**(2,896)**	(6,900)
(Loss) profit for the year			**(61,915)**	11,274

Note: Inter-segment sales are charged at prevailing market prices.

Segment results represent the loss incurred or profit earned by each segment without allocation of finance costs, investment income, changes in fair value of derivative financial instruments, share of results of associates and share of results of jointly controlled entities. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

8 Segment Information *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's total assets and total liabilities by reportable segment:

Segment assets

	2009 US$'000	2008 US$'000
Manufacturing	**545,547**	637,100
Logistics services	**65,406**	66,461
Total segment assets	**610,953**	703,561
Interests in associates *(Note)*	**4,887**	10,827
Interests in jointly controlled entities	**20,398**	26,461
Unallocated corporate assets	**100,954**	166,234
Consolidated assets	**737,192**	907,083
Segment liabilities		
Manufacturing	**136,278**	144,384
Logistics services	**8,630**	8,005
Total segment liabilities	**144,908**	152,389
Unallocated corporate liabilities	**188,213**	389,970
Consolidated liabilities	**333,121**	542,359

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates, interests in jointly controlled entities and unallocated corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and

– all liabilities are allocated to reportable segments other than current and deferred tax liabilities and unallocated corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Note: For the year 2008, interests in associates included US$5,865,000 which was classified as assets held for sale.

8 Segment Information *(Continued)*

Other segment information

	Manufacturing US$'000	Logistics services US$'000	Total US$'000
2009			
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of capital expenditure	**2,754**	**2,962**	**5,716**
Depreciation and amortisation	**12,623**	**3,729**	**16,352**
Gain on disposal of property, plant and equipment	**144**	**5**	**149**
Allowance for write-down of inventory	**18,013**	**—**	**18,013**
2008			
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of capital expenditure	15,552	6,981	22,533
Depreciation and amortisation	13,385	3,273	16,658
Gain (loss) on disposal of property, plant and equipment	231	(2)	229

8 Segment Information *(Continued)*

Revenue from major products and services

The following is an analysis of the Group's revenue from operations from its major products and services (after elimination of inter-segment sales):

	2009 **US$'000**	2008 US$'000
Manufacturing:		
Dry freight containers	**95,985**	1,022,922
Refrigerated containers	**59,265**	130,676
Tank containers	**29,827**	64,937
Other specialised containers, container chassis and container parts	**52,363**	128,636
Logistics services	**37,207**	38,098
	274,647	1,385,269

Geographical information

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. Logistics services division is located in Hong Kong, the PRC and Thailand.

The following table provides an analysis of the Group's revenue by geographical market based on the location of customers, irrespective of the origin of the goods/services:

	Revenue	
	2009 **US$'000**	2008 US$'000
United States of America ("USA")	**85,904**	429,317
Europe	**63,089**	394,497
Hong Kong	**50,694**	239,210
PRC	**41,369**	83,941
South Korea	**12,707**	69,602
Others	**20,884**	168,702
	274,647	1,385,269

8 Segment Information *(Continued)*

Geographical information *(Continued)*

The following is an analysis of the carrying amount of segment assets and non-current assets, other than available-for-sale investments and deferred tax assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Carrying amount of non-current assets other than available-for-sales investments and deferred tax assets	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
PRC	**583,527**	662,197	**264,098**	274,690
Hong Kong	**23,041**	36,240	**5,388**	6,025
Others	**4,385**	5,124	**5,810**	6,234
	610,953	703,561	**275,296**	286,949

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are mainly derived from the manufacturing segment in both years. For the year 2009, there are two major customers contributing over 10% of the total sales amounting to US$28,244,000 and US$27,579,000 respectively. For the year 2008, there was only one customer with the sales amount of US$157,986,000.

9 Finance Costs

	2009 US$'000	2008 US$'000
Interest on bank loans and overdrafts wholly repayable within five years	**9,128**	24,554
Imputed interest on deferred payable	**48**	60
Bank charges	**851**	3,494
	10,027	28,108

10 Investment Income

	2009 US$'000	2008 US$'000
Interest earned on bank deposits	**744**	1,795
Dividend income from an unlisted equity investment	**227**	251
	971	2,046

11 (Loss) Profit Before Taxation

	2009 US$'000	2008 US$'000
(Loss) profit before taxation has been arrived at after charging (crediting) the following :		
Auditor's remuneration	**524**	565
Staff costs, including directors' emoluments		
– Salaries and other benefits	**25,883**	70,373
– Retirement benefit costs (note 13)	**2,900**	4,003
– Share-based payments	**1,363**	2,503
	30,146	76,879
Depreciation and amortisation		
Depreciation of property, plant and equipment	**14,442**	14,660
Amortisation		
– Patents	**490**	490
– Others assets	**—**	84
– Prepaid lease payments in respect of leasehold land	**1,420**	1,424
	16,352	16,658
Operating lease charges		
– Land and buildings	**4,482**	5,013
– Plant and machinery	**125**	191
	4,607	5,204
Impairment loss on goodwill included in other expenses	**746**	—
Allowance for bad and doubtful debts	**331**	—
Amounts of doubtful debts recovered	**—**	(38)
Share of taxation charge of associates	**184**	182
Share of taxation charge (credit) of jointly controlled entities	**1,093**	(360)
	1,277	(178)
Cost of inventories recognised as expense (including allowance for write-down of inventories of US$18,013,000 (2008: nil))	**281,817**	1,266,597
Gain on disposal of property, plant and equipment	**(149)**	(229)
Gain on derecognition of deferred payable	**(73)**	—

12 Directors' and Five Highest Paid Individuals' Emoluments

The emoluments paid or payable to each of the 9 (2008: 10) directors were as follows:

2009

	Chang Yun Chung US$'000	Teo Siong Seng US$'000	Hsueh Chao En US$'000	Teo Tiou Seng US$'000	Jin Xu Chu US$'000	Kuan Kim Kin US$'000	Ngan Man Kit, Alexander *(Note)* US$'000	Lau Ho Man US$'000	Ong Ka Thai US$'000	Yang, Victor US$'000	Total US$'000
Fees	39	26	23	23	23	28	–	16	28	28	234
Other emoluments:											
Salaries and other benefits	–	261	108	36	100	–	–	–	–	–	505
Contributions to retirement benefit scheme	–	13	–	2	–	–	–	–	–	–	15
Performance related incentive payments	–	–	13	–	10	–	–	–	–	–	23
Share-based payments	47	465	115	23	93	23	–	–	23	–	789
	86	765	259	84	226	51	–	16	51	28	1,566

2008

	Chang Yun Chung US$'000	Teo Siong Seng US$'000	Hsueh Chao En US$'000	Teo Tiou Seng US$'000	Jin Xu Chu US$'000	Kuan Kim Kin US$'000	Ngan Man Kit, Alexander US$'000	Ong Ka Thai US$'000	Soh Kim Soon US$'000	Yang, Victor US$'000	Total US$'000
Fees	39	26	23	23	23	28	25	28	11	17	243
Other emoluments:											
Salaries and other benefits	–	319	212	41	119	–	51	–	–	–	742
Contributions to retirement benefit scheme	–	16	–	2	–	–	3	–	–	–	21
Performance related incentive payments	–	–	–	–	–	–	–	–	–	–	–
Share-based payments	84	843	210	42	169	42	42	42	26	–	1,500
	123	1,204	445	108	311	70	121	70	37	17	2,506

Note: Mr. Ngan Man Kit, Alexander resigned as a director of the Company on 1 January 2009.

12 Directors' and Five Highest Paid Individuals' Emoluments *(Continued)*

The above analysis includes 3 (2008: 3) individuals whose emoluments were among the five highest in the Group. Details of the aggregate emoluments paid to the remaining 2 (2008: 2) 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:–

	2009 US$'000	2008 US$'000
Salaries and other benefits	**337**	327
Retirement benefit costs	**15**	16
Share-based payments	**158**	262
	510	605

Their emoluments were within the following band:

	2009 Number of individuals	2008 Number of individuals
US$193,514 – US$258,017 (HK$1,500,001 – HK$2,000,000)	**1**	—
US$258,018 – US$322,521 (HK$2,000,001 – HK$2,500,000)	**1**	2

No waiver of emoluments, compensation loss and inducement to join or upon joining the Group was paid during the year.

13 Retirement Benefit Costs

Prior to 1 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 scheme 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 scheme at rates specified in the rules. Any amount unvested upon an employee ceasing to be a member shall be used to offset subsequent employer's contributions.

With effect from 1 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.

13 Retirement Benefit Costs *(Continued)*

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 the subsidiary.

The retirement benefit costs charged to the consolidated 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$2,900,000 (2008: US$4,003,000).

No forfeited contributions of the Group's defined contribution retirement schemes was used to reduce the current year's contributions. At the end of the reporting period, the Group had no forfeited contributions, which arose from the employees leaving the retirement schemes and which are available to reduce the contribution payable by the Group in the future years.

14 Income Tax Expense

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

14 Income Tax Expense *(Continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the general tax rate of the PRC subsidiaries is 25% from 1 January 2008 onward. However, the EIT Law and Implementation Regulations provide a five-year transitional period from its effective date for those enterprise which were established before the promulgation date of the EIT Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. Based on EIT Law, certain PRC subsidiaries of the Company that were entitled to preferential treatment in the form of enterprise income tax reduction or exemption, but has not been profitable and, therefore, has not enjoyed such preferential treatment before 1 January 2008, would deem to have begun its tax holiday in 2008 when the EIT Law comes into effect.

	2009 US$'000	2008 US$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**312**	378
– Prior year overprovision	**–**	(222)
	312	156
Overseas taxation		
– Current year	**1,435**	2,967
– Prior year under(over)provision	**89**	(1,346)
	1,524	1,621
Deferred tax *(note 41)*:		
Current year charge	**1,060**	5,123
Income tax expense for the year	**2,896**	6,900

14 Income Tax Expense *(Continued)*

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

	2009 US$'000	2009 %	2008 US$'000	2008 %
(Loss) profit before taxation	**(59,019)**		18,174	
Tax at the Hong Kong Profits Tax rate of 16.5% (2008 : 16.5%)	**(9,738)**	**16.50**	2,999	16.50
Tax effect of share of results of associates	**(110)**	**0.19**	(213)	(1.17)
Tax effect of share of results of jointly controlled entities	**1,124**	**(1.90)**	(88)	(0.48)
Tax effect of expenses that are not deductible in determining taxable profit	**1,575**	**(2.67)**	1,547	8.51
Tax effect of income that are not taxable in determining taxable profit	**(1,510)**	**2.56**	(3,245)	(17.86)
Tax effect of deductible temporary difference not recognised	**2,972**	**(5.04)**	—	—
Tax effect on tax losses arising in the current year not recognised	**6,955**	**(11.78)**	5,124	28.19
Tax effect of utilisation of tax losses previously not recognised	**(497)**	**0.84**	(827)	(4.55)
Underprovision (overprovision) in previous years	**89**	**(0.15)**	(1,568)	(8.63)
Reversal of tax losses recognised in previous years	**833**	**(1.41)**	—	—
Effect of different tax rates of subsidiaries, operating in other jurisdictions	**1,209**	**(2.05)**	1,973	10.86
Withholding tax on undistributed profits	**(81)**	**0.14**	601	3.31
PRC dividend withholding tax	**21**	**(0.04)**	—	—
Others	**54**	**(0.09)**	597	3.28
Tax charge and effective rate for the year	**2,896**	**(4.90)**	6,900	37.96

15 Dividends

	2009 US$'000	2008 US$'000
Dividends recognised as distributions during the year:		
Interim in respect of current financial year, paid – Nil (2008: HK4 cents) per ordinary share	–	3,619
Final in respect of the previous financial year, paid – Nil (2008: HK5 cents) per ordinary share	–	4,503
	–	8,122

The Directors do not recommend the payment of final dividend for the year ended 31 December 2009 and 2008.

16 (Loss) Earnings Per Share

The calculation of (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2009 US$'000	2008 US$'000
(Loss) earnings:		
(Loss) earnings for the purposes of calculating basic and diluted (loss) earnings per share	(51,914)	4,515
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share	1,750,513,935	888,807,044

On 29 April 2009, 1,405,825,520 ordinary shares were issued in relation to a rights issue transaction. The effect of the bonus element included within the rights issue has been included in the calculation of basic and diluted (loss) earnings per share. The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the year ended 31 December 2008 had been adjusted accordingly.

The computation of diluted (loss) earnings per share for 2009 and 2008 does not assume the exercise of the Company's outstanding share options as the exercise price of those share options is higher than the average market price of shares for both years.

Notes to the Financial Statements

17 Property, Plant and Equipment

	Freehold land US$'000	Leasehold land and buildings and site improvements US$'000	Plant and machinery US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
Group							
Cost							
At 1 January 2008	3,283	107,700	127,093	7,353	7,583	9,584	262,596
Translation differences	–	1,385	836	103	45	164	2,533
Additions	–	699	2,481	495	617	18,241	22,533
Disposals	–	–	(2,409)	(186)	(414)	–	(3,009)
Transfer	–	4,864	9,146	258	538	(14,806)	–
At 31 December 2008	3,283	114,648	137,147	8,023	8,369	13,183	284,653
Translation differences	–	19	13	1	1	6	40
Additions	–	1,169	1,187	162	209	2,989	5,716
Disposals	–	(33)	(5,441)	(288)	(1,147)	–	(6,909)
Transfer	–	8,945	6,168	62	97	(15,272)	–
At 31 December 2009	3,283	124,748	139,074	7,960	7,529	906	283,500
Accumulated depreciation							
At 1 January 2008	–	19,982	54,280	5,135	4,277	–	83,674
Translation differences	–	317	424	76	28	–	845
Charge for the year	–	5,036	7,918	841	865	–	14,660
Eliminated on disposals	–	–	(2,145)	(170)	(314)	–	(2,629)
At 31 December 2008	–	25,335	60,477	5,882	4,856	–	96,550
Translation differences	–	5	6	1	1	–	13
Charge for the year	–	4,741	8,098	787	816	–	14,442
Eliminated on disposals	–	(26)	(5,114)	(260)	(927)	–	(6,327)
At 31 December 2009	–	30,055	63,467	6,410	4,746	–	104,678
Carrying values							
At 31 December 2009	**3,283**	**94,693**	**75,607**	**1,550**	**2,783**	**906**	**178,822**
At 31 December 2008	3,283	89,313	76,670	2,141	3,513	13,183	188,103

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 31 December 2009				
Held in Hong Kong				
On short lease				
(less than 10 years)	—	—	43	43
Held outside Hong Kong				
On medium term lease				
(20 to 50 years)	—	4,868	89,782	94,650
Freehold land	3,283	—	—	3,283
	3,283	4,868	89,825	97,976
At 31 December 2008				
Held in Hong Kong				
On short lease				
(less than 10 years)	—	—	67	67
Held outside Hong Kong				
On medium term lease				
(20 to 50 years)	—	5,161	84,085	89,246
Freehold land	3,283	—	—	3,283
	3,283	5,161	84,152	92,596

17 Property, Plant and Equipment *(Continued)*

	Leasehold land and buildings US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Company				
Cost				
At 1 January 2008	4,287	1,589	246	6,122
Additions	—	118	—	118
Disposals	—	(9)	—	(9)
At 31 December 2008	4,287	1,698	246	6,231
Additions	—	12	—	12
At 31 December 2009	4,287	1,710	246	6,243
Accumulated depreciation				
At 1 January 2008	282	1,358	234	1,874
Charge for the year	113	125	12	250
Eliminated on disposals	—	(9)	—	(9)
At 31 December 2008	395	1,474	246	2,115
Charge for the year	113	111	—	224
At 31 December 2009	508	1,585	246	2,339
Carrying values				
At 31 December 2009	**3,779**	**125**	**—**	**3,904**
At 31 December 2008	3,892	224	—	4,116

	2009 US$'000	2008 US$'000
Company		
Leasehold land and buildings held outside Hong Kong on medium term lease (20 to 50 years)	**3,779**	3,892

The land and building elements of a lease of land and building cannot be allocated reliably between the land and building elements, the entire lease is treated as property, plant and equipment.

18 Patents

Group

	US$'000
Cost	
At 1 January 2008 and 31 December 2008 and 31 December 2009	4,583
Amortisation	
At 1 January 2008	2,777
Charge for the year	490
At 31 December 2008	3,267
Charge for the year	490
At 31 December 2009	3,757
Carrying values	
At 31 December 2009	**826**
At 31 December 2008	1,316

Company

	US$'000
Cost	
At 1 January 2008, 31 December 2008 and 31 December 2009	1,000
Amortisation	
At 1 January 2008	83
Charge for the year	200
At 31 December 2008	283
Charge for the year	200
At 31 December 2009	483
Carrying values	
At 31 December 2009	**517**
At 31 December 2008	717

19 Goodwill

Group

	US$'000
Cost	
At 1 January 2008 and 31 December 2008	6,478
Arising on acquisition of additional interest in subsidiaries	746
At 31 December 2009	7,224
Impairment	
At 1 January 2008 and 31 December 2008	1,198
Impairment loss recognised	746
At 31 December 2009	1,944
Carrying values	
At 31 December 2009	**5,280**
At 31 December 2008	5,280

For the purpose of impairment testing, goodwill with indefinite useful lives have been allocated to an individual cash generating unit ("CGU"), including four (2008: two) subsidiaries in manufacturing of container.

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

The recoverable amounts of CGU is 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 CGU. 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 3% (2008: 2%). The rate used to discount the forecast cash flows is 10% (2008: 11.3%). The Directors consider that reasonably possible change in key assumptions on which the directors have based to determine the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

20 Investments in Subsidiaries

	Company 2009 US$'000	2008 US$'000
Unlisted shares and investments, at cost	**206,818**	191,294
Less: Impairment loss recognised	**(34,330)**	—
	172,488	191,294

For the year ended 31 December 2009, the Company recognised an impairment loss of US$34,330,000 (2008: nil) in relation to the investment costs on certain subsidiaries in PRC in order to write-down the investment costs to their estimated recoverable amounts.

Particulars of principal subsidiaries as at 31 December 2009 and 2008 are set out below: –

Name	Place of incorporation/ registration	Group equity interest 2009	2008	Issued and fully paid share/ contributed capital	Principal activities
DY Terminal Ltd.	Hong Kong	**100.0%**	100.0%	Ordinary HK$1,000,000	Provision of container storage and repair services
Eng Kong Container & Warehousing Ltd.	Hong Kong	**73.3%**	73.3%	Ordinary HK$300,000	Investment holding
Eng Kong Container Services Ltd.	Hong Kong	**73.3%**	73.3%	Ordinary HK$3,000,000	Provision of container storage, drayage and repair services
Foshan Shunde Leliu Wharf & Container Co., Ltd. #	PRC	**59.0%**	59.0%	US$21,000,000	Provision of container terminal services
Guangdong Shun An Da Pacific Container Co., Ltd. *	British Virgin Islands	**100.0%**	100.0%	US$1,000	Marketing dry freight and specialised containers in the PRC
Guangdong Shun An Da Pacific Container Co., Ltd. * ^	PRC	**100.0%**	100.0%	US$27,900,000	Manufacturing of dry freight and specialised containers
Hui Zhou Pacific Container Co., Ltd. * # ("Hui Zhou Pacific")	PRC	**91.0%** *(Note 1)*	71.0%	US$40,000,000	Manufacturing of dry freight containers

Notes to the Financial Statements

20 Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration	Group equity interest 2009	Group equity interest 2008	Issued and fully paid share/ contributed capital	Principal activities
Ningbo Pacific Container Co., Ltd.* ^ ("Ningbo Pacific")	PRC	**100.0%** *(Note 1)*	80.0%	US$20,000,000	Manufacturing of dry freight and specialised containers
P.T. Java Pacific	Indonesia	**72.0%**	72.0%	US$10,000,000	Manufacturing of dry freight containers
Qingdao Pacific Container Co., Ltd.* ^ ("Qingdao Pacific")	PRC	**100.0%** *(Note 2)*	97.2%	US$21,605,700	Manufacturing of dry freight and specialised containers
Qingdao Singamas Industrial Vehicle Co., Ltd.* # ("Qingdao Singamas")	PRC	**49.5%** *(Note 3)*	49.5%	RMB20,000,000	Manufacturing of container chassis
Shanghai Baoshan Pacific Container Co., Ltd. #	PRC	**74.0%**	74.0%	US$25,300,000	Manufacturing of dry freight and specialised containers
Shanghai Pacific International Container Co., Ltd. * # ("Shanghai Pacific")	PRC	**60.0%** *(Note 4)*	60.0%	US$26,000,000	Manufacturing of dry freight containers
Shanghai Reeferco Container Co., Ltd. * #	PRC	**90.9%**	90.9%	US$22,000,000	Manufacturing of refrigerated containers
Singamas Container Holdings Ltd. *	Bahamas	**100.0%**	100.0%	US$7,200,000	Investment holding
Singamas Container Industry Co., Ltd. * #	PRC	**75.0%**	75.0%	US$5,100,000	Manufacturing of collapsible flatrack and specialised containers
Singamas Container Technical & Development (Shanghai) Co. Ltd * ^	PRC	**100.0%**	100.0%	US$2,000,000	Provision of technical and development services of container manufacturing

20 Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration	Group equity interest 2009	2008	Issued and fully paid share/ contributed capital	Principal activities
Singamas Depots Holdings Ltd. *	Hong Kong	**100.0%**	100.0%	Ordinary HK$10,000	Investment holding
Singamas Logistics (Qingdao) Co., Ltd. #	PRC	**60.0%**	60.0%	US$5,780,000	Provision of container storage and repair services
Singamas Logistics (Tianjin) Co., Ltd. * ^	PRC	**100.0%**	100.0%	US$6,500,000	Provision of container storage and repair services
Singamas Refrigerated Container Ltd. *	British Virgin Islands	**100.0%**	100.0%	Ordinary US$100,000	Investment holding
		100.0%	100.0%	Redeemable preferred US$19,400,000	
Singamas Terminals (China) Ltd.	British Virgin Islands	**100.0%**	100.0%	US$1,000	Investment holding
Singamas Terminals Holdings Ltd. *	British Virgin Islands	**100.0%**	100.0%	US$1,000	Investment holding
Singamas Terminals (HK) Ltd.	British Virgin Islands	**100.0%**	100.0%	US$1,000	Investment holding
Singamas Terminals (Hong Kong) Ltd.	Hong Kong	**100.0%**	100.0%	Ordinary HK$5,000,000	Provision of mid-stream services
Singamas Warehouse (Shanghai) Company Ltd.	British Virgin Islands	**100.0%**	100.0%	US$1,000	Investment holding
Tianjin Pacific Container Co., Ltd. * #	PRC	**97.0%**	97.0%	US$25,700,000	Manufacturing of dry freight and specialised containers

20 Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration	Group equity interest 2009	Group equity interest 2008	Issued and fully paid share/ contributed capital	Principal activities
Tianjin Singamas Container Co., Ltd. * ^	PRC	**100.0%**	100.0%	US$2,000,000	Provision of container storage, repair and trucking services, and serving as a freight station
Wellmass Group Ltd.	British Virgin Islands	**60.0%**	60.0%	US$10,000	Investment holding
Yixing Singamas Metal Products Co., Ltd. * #	PRC	**95.0%**	95.0%	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*

The principal place of operation of each subsidiary is the same as the place of incorporation/ registration stated above, except for those companies incorporated in BVI and Bahamas which are incorporated for investment holding purpose.

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. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year.

Note:

1. *During the year, the Company acquired additional 20% equity interest in each of Hui Zhou Pacific and Ningbo Pacific under the Share Transfer Agreements with Shanghai Universal Logistics Equipment Co., Ltd. ("Shanghai Universal") (see note 42 for details).*

2. *During the year, the Company acquired remaining 2.8% equity interest of Qingdao Pacific. Upon completion of the transaction, Qingdao Pacific becomes wholly-owned subsidiary of the Company.*

3 *In 2006, the joint venture partner of Qingdao Singamas agreed to receive a fixed sum of guarantee payments annually in lieu of sharing any profit and loss nor the residual interests in the assets of Qingdao Singamas thereafter. Accordingly, Qingdao Singamas has been accounted for as a wholly owned subsidiary of the Group.*

4. *During the year, the Company made further capital contribution to Shanghai Pacific by re-investing entitled dividend of US$4,800,000 to the equity interest of Shanghai Pacific.*

21 Amounts Due From/to Subsidiaries

Company

The amounts due from subsidiaries are unsecured and repayable on demand. Included in the amounts due from subsidiaries is an amount of US$170,775,000 (2008: US$178,297,000) which bears variable interest at a spread of no more than 0.25% (2008: 0.25%) per annum over the cost of bank borrowings of the Company. The Directors expected the amounts due from/to subsidiaries to be recovered/repaid within twelve months after the end of the reporting period.

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

22 Interests/Investments in Associates

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments:				
At cost	**2,909**	10,909	**757**	**6,622**
Share of post-acquisition reserves and other comprehensive income, net of dividend received	**1,978**	(82)	**—**	—
	4,887	10,827	**757**	6,622
Classified as assets held for sales	**—**	(5,865)	**—**	(5,865)
	4,887	4,962	**757**	757

On 15 December 2008, the Company entered into five share transfer agreements ("Share Transfer Agreements") with Shanghai Universal to conditionally dispose of its entire 20% equity interest in Dong Fang International Container (Guang Zhou) Co., Ltd. ("Dong Fang (Guang Zhou)") and Dong Fang International Container (Jin Zhou) Co., Ltd. ("Dong Fang (Jin Zhou)"), respectively, to Shanghai Universal. Shanghai Universal is the substantial shareholders of Dong Fang (Guang Zhou) and Dong Fang (Jin Zhou). Interests in Dong Fang (Guang Zhou) and Dong Fang (Jin Zhou), the associates of the Company, are expected to be sold within twelve months, have been classified as assets held for sale and accounted in accordance with the accounting policy as disclosed in Note 3(h). The transaction was completed in December 2009 (see note 42 for details).

22 Interests/Investments in Associates *(Continued)*

Particulars of associates as at 31 December 2009 and 2008 are set out below:–

Name	Form of business structure	Place of incorporation/ registration and operation	Group equity interest 2009	Group equity interest 2008	Proportion of voting power held 2009	Proportion of voting power held 2008	Principal activities
Dong Fang International Container (Guang Zhou) Co., Ltd. * #	Incorporated	PRC	**–**	20.0%^@	**–**	20.0%	Manufacturing of dry freight containers
Dong Fang International Container (Jin Zhou) Co., Ltd. * #	Incorporated	PRC	**–**	20.0%^@	**–**	16.7% *(Note)*	Manufacturing of dry freight containers
Ningbo Victory Container Co., Ltd. #	Incorporated	PRC	**40.0%^**	40.0%^	**40.0%**	40.0%	Provision of container storage and repair services
Singamas Thai Logistics Co., Ltd. *	Incorporated	Thailand	**25.0%^**	25.0%^	**25.0%**	25.0%	Provision of container storage and repair services
Xiamen Xiangyu Singamas Container Co., Ltd. #	Incorporated	PRC	**28.0%^**	28.0%^	**28.6%**	28.6%	Provision of container storage, repair and trucking services, and serving as a freight station
Yixing Goldrich Welding Metal Co., Ltd. * #	Incorporated	PRC	**30.0%^**	30.0%^	**33.3%**	33.3%	Manufacturing of welding parts

* *Associates held directly by the Company*
\# *Equity joint venture established in the PRC in accordance with relevant laws and regulations*
^ *Represented issued and fully paid registered capital*
@ *Classified as assets held for sale as at 31 December 2008*

Note: The Company has representative sitting on the board of directors of Dong Fang (Jin Zhou) and the Company has provided essential technical information to Dong Fang (Jin Zhou). As the Company has significant influence over Dong Fang (Jin Zhou), interest in Dong Fang (Jin Zhou) was classified as interest in associates.

22 Interests/Investments in Associates *(Continued)*

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

	2009 US$'000	2008 US$'000
Total assets	**30,069**	152,175
Total liabilities	**(14,815)**	(107,377)
Net assets	**15,254**	44,798
Group's share of associates' net assets	**4,887**	10,827
Classified as assets held for sales	**—**	(5,865)
	4,887	4,962

	2009 US$'000	2008 US$'000
Revenue	**21,360**	248,720
Profit for the year	**1,988**	4,853
Other comprehensive income	**72**	182
Group's share of associates' profit and other comprehensive income for the year	**680**	1,395

23 Interests/Investments In Jointly Controlled Entities

	Group		**Company**	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Unlisted shares and investments:				
At cost	**24,833**	23,928	**10,265**	10,265
Share of post-acquisition reserves and other comprehensive income, net of dividend received	**(4,435)**	2,533	**—**	—
	20,398	26,461	**10,265**	10,265

23 Interests/Investments In Jointly Controlled Entities *(Continued)*

Particulars of jointly controlled entities as at 31 December 2009 and 2008 are set out below:

Name	Form of business structure	Place of incorporation/ registration and operation	Group equity interest 2009	Group equity interest 2008	Proportion of voting power held 2009	Proportion of voting power held 2008	Principal activities
Dalian Singamas International Container Co., Ltd. #	Incorporated	PRC	**36.8%** *(Note 1)*	35.8%	**33.3%**	33.3%	Provision of container storage and repair services
Fuzhou Singamas Container Co., Ltd. #	Incorporated	PRC	**40.0%**	40.0%	**40.0%**	40.0%	Provision of container storage and repair services
Guangzhou Singamas Timber Co., Ltd #	Incorporated	PRC	**52.0%** *(Note 2)*	52.0%	**60.0%**	60.0%	Manufacturing of container floorboard
Shanghai Jifa Logistics Co., Ltd. #	Incorporated	PRC	**25.0%**	25.0%	**22.2%**	22.2%	Provision of container storage, repair and logistics services
Singamas North America, Inc. @	Incorporated	USA	**50.0%**	50.0%	**50.0%**	50.0%	Marketing containers in the USA
Xiamen Pacific Container Manufacturing Co., Ltd. * #	Incorporated	PRC	**44.1%**	44.1%	**42.9%**	42.9%	Manufacturing of dry freight containers

* *Jointly controlled entities held directly by the Company*

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

@ *Represented common shares held directly by the Company*

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.

Note:

1. *During the year and in 2008, the Group made further capital contribution to Dalian Singamas International Container Co., Ltd. ("Dalian Singamas"). Since the amount of capital contribution made by each investor was not in proportion to their equity interests in Dalian Singamas, the Group's equity interest in Dalian Singamas has increased to 36.8% from 35.8% upon completion of the capital contribution.*

2. *According to the Article of Association of Guangzhou Singamas Timber Co., Ltd. ("Singamas Timber"), 66.67% voting power is required to govern the significant financial and operating policies of Singamas Timber. Since the Company and the joint venture partner have contractual arrangements to jointly control the significant financial and operating policies of Singamas Timber, Singamas Timber is regarded as a jointly controlled entity of the Company.*

23 Interests/Investments In Jointly Controlled Entities *(Continued)*

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	2009 US$'000	2008 US$'000
Current assets	**25,213**	42,484
Non-current assets	**17,990**	17,680
Current liabilities	**20,603**	29,400
Non-current liabilities	**2,202**	4,303
Income	**11,961**	81,095
Expenses	**(18,774)**	(80,563)
Other comprehensive income	**13**	848

24 Amount Due to Ultimate Holding Company, Amounts Due From/to Associates and Jointly Controlled Entities and Amount Due From Fellow Subsidiaries

The amounts are unsecured, interest free and repayable on demand. The Directors expected the amounts will be recovered/repaid within twelve months after the end of the reporting period.

25 Available-For-Sale Investments

	Group		**Company**	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Unlisted securities				
– Equity securities, at cost	**1,614**	3,174	**669**	2,229
Classified as assets held for sale	**—**	(1,560)	**—**	(1,560)
	1,614	1,614	**669**	669

25 Available-For-Sale Investments *(Continued)*

On 15 December 2008, the Company entered into Share Transfer Agreements with Shanghai Universal under which the Company conditionally agreed to dispose of its entire 10% equity interest in Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd. ("Lianyungang") to Shanghai Universal. Shanghai Universal is the substantial shareholders of Lianyungang. Investment in Lianyungang, which included in available-for-sale investment, was expected to be sold within twelve months, has been classified as assets held for sale. The transaction was completed in December 2009 (see note 42 for details).

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

The unquoted equity investments in 2009 included 14.02% (2008: 14.02%) equity interest of Xiamen Superchain Logistics Development Co., Ltd, a logistic company in PRC; while in 2008, it also included 10% equity interest of Lianyungang, a company involved in manufacturing of container chassis.

26 Prepaid Lease Payments

	Group	
	2009	2008
	US$'000	US$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	**66,605**	62,247
	66,605	62,247
Analysed for reporting purpose as:		
Amount shown under non-current assets	**65,083**	60,827
Amount shown under current assets	**1,522**	1,420
	66,605	62,247

27 Other Assets

	Group 2009 US$'000	2008 US$'000
At 1 January	**–**	84
Amount amortised	**–**	(84)
At 31 December	**–**	–

28 Inventories

	Group 2009 US$'000	2008 US$'000
Raw materials	**140,318**	213,216
Work in progress	**10,210**	10,930
Finished goods	**53,155**	76,295
	203,683	300,441

The entire carrying amounts of inventories as at 31 December 2009 and 2008 are expected to be recovered within the next twelve months.

29 Trade Receivables

	Group 2009 US$'000	2008 US$'000
Trade receivables	**92,040**	94,717
Less: allowance for doubtful debts	**(342)**	(11)
Total trade receivables	**91,698**	94,706

29 Trade Receivables *(Continued)*

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 (2008: 30 days to 120 days).

The aged analysis of trade receivables net of allowance for doubtful debts, which is prepared based on invoice date of each transaction, at the end of the reporting period is as follows:

	2009 **US$'000**	2008 US$'000
0 to 30 days	**60,058**	45,750
31 to 60 days	**17,614**	21,516
61 to 90 days	**3,487**	10,970
91 to 120 days	**3,912**	10,566
Over 120 days	**6,627**	5,904
	91,698	94,706

The Group assessed the credit quality of trade receivables based on historical default rates and the creditworthiness of the customers. An aggregate amount of US$51,117,000 was subsequently settled.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$21,337,000 (2008: US$33,497,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The Group has assessed the creditworthiness and historical default rates of these customers, trade receivables that are past due but not impaired have very low historical default rates and have high credit-rating within the industry. In this regard, the Directors considered that the default risk is low. Accordingly, no impairment has been provided.

The aged analysis, based on invoice date of each transaction, of trade receivables which are past due but not impaired is as follows:

	2009 **US$'000**	2008 US$'000
31 to 60 days	**8,858**	9,280
61 to 90 days	**3,058**	8,233
91 to 120 days	**3,545**	10,080
over 120 days	**5,876**	5,904
	21,337	33,497

29 Trade Receivables *(Continued)*

Movement in the allowance for doubtful debts :

	2009 US$'000	2008 US$'000
Balance at the beginning of the year	**11**	289
Impairment losses recognised on receivables	**331**	—
Amounts written off as uncollectible	**—**	(240)
Amounts recovered during the year	**—**	(38)
Balance at the end of the year	**342**	11

30 Prepayments and Other Receivables

As at 31 December 2009, the Group advanced US$30,952,000 (2008 : US$9,791,000) to certain suppliers as deposits for raw materials purchases, the entire amount is expected to be recovered within the next twelve months.

31 Amount Due From a Related Company

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

	Group		
Name	**Balance as at 31.12.2009 US$'000**	Balance as at 1.1.2009 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (H.K.) Limited	**719**	1,414	1,948

The aged analysis of amount due from a related company, which is prepared based on invoice date of each transaction, at the end of the reporting period is as follows:

	Group	
	2009 US$'000	2008 US$'000
0 to 30 days	**343**	530
31 to 60 days	**324**	378
61 to 90 days	**52**	251
over 90 days	**—**	255
	719	1,414

31 Amount Due From a Related Company *(Continued)*

The aged analysis, based on invoice date of each transaction, of amount due from a related company which is past due but not impaired is as follows:

	Group	
	2009	2008
	US$'000	US$'000
31-60 days	**324**	378
61-90 days	**52**	251
over 90 days	**–**	255
	376	884

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, have beneficial interests. The balance is subject to normal credit terms of 30 (2008: 30) days. An aggregate amount of US$468,000 was subsequently settled.

32 Derivative Financial Instrument

	Group and Company	
	2009	2008
	US$'000	US$'000
Swap derivative financial instrument	**2,600**	13,000

The amount represents the fair value of an outstanding swap derivative financial instrument entered into by the Group with financial institution.

As at 31 December 2009, the Company has an outstanding derivative contract with notional amount of US$7.5 million (2008: US$13.5 million). The fair value of the swap contract as at 31 December 2009 was estimated at a liability of US$2,600,000 (2008: US$13,000,000).

The fair value of swap contract is determined by the management using a valuation technique to calculate the present value of estimated future cash flows, taking into account of the applicable yield curves derived from quoted interest rates and their expected volatility; the spot and forward exchange rate; and with reference to valuation provided by the derivative financial instrument counterparty.

32 Derivative Financial Instrument *(Continued)*

Major terms of the swap contract in both 2009 and 2008 are set out below:

Remaining notional amount	Notional amount per quarter	Starting	Maturity
US$7,500,000 (2008: US$13,500,000)	US$1,500,000	14/3/2008	14/3/2011

The payments under this swap derivative is subject to quarterly net settlement in US$ up to the stipulated maturity date. The notional amount is reduced by US$1,500,000 at each quarterly settlement date until maturity. At each settlement date, the net settlement amount between the Group and the counterparty is determined on the following basis:

Receives leg

At each quarterly settlement date, the Group would receive the notional amount per quarter multiplied by a specified ratio which is determined based on a fixed exchange rate divided by spot exchange rate in relation to RMB against US$. If the variables moves favorable to the Group (i.e. fixed exchange rate above spot exchange rate), the Group would receive more than the notional amount from the counterparty. If the variables moves unfavorable to the Group (i.e. fixed exchange rate below spot exchange rate), the Group would receive less than the notional amount from the counterparty.

Pays leg

At each quarterly settlement date, the Group would pay notional amount per quarter multiplied by a specified factor which is determined based on the number of days when the 30-year US$ CMS rate's volatility is outside a specified range in the quarter. If the variables moves favorable to the Group (i.e. 30-year US$ CMS rate fall within the specified range during most of the days in that quarter), the Group would pay the notional amount per quarter multiplied by a factor (between one and two) to the counterparty. If the variables moves unfavorable to the Group (i.e. 30-year US$ CMS rate fall out of the specified range during most of the days in that quarter), the Group would pay up to two times of the notional amount per quarter to the counterparty.

In 2008, the Company disposed of a majority of its swap derivative financial instruments with an aggregate notional amount of US$371.5 million to Strategic Times Limited ("STL"), a wholly owned subsidiary of PIL, a substantial shareholder of the Company, also the ultimate holding company of the Company, at a total consideration of net payment of US$120,000. The consideration as agreed by both parties is an approximate fair value by reference to the estimated unwinding value provided by the swap derivative financial instruments counterparty as at the date of disposal.

33 Bank Balances

Bank balances carry interest at market rates of the Group and the Company which range from 0.01% to 1.98% (2008: 0.05% to 3.33%) and 0.01% to 0.5% (2008: 0.05% to 0.7%) per annum respectively.

34 Trade Payables

The aged analysis, based on the invoice date of each transaction, of trade payables at the end of the reporting period is as follows:

	Group	
	2009	2008
	US$'000	US$'000
0 to 30 days	**26,130**	13,566
31 to 60 days	**6,128**	9,854
61 to 90 days	**5,572**	10,365
91 to 120 days	**4,590**	18,343
Over 120 days	**12,787**	34,542
	55,207	86,670

The average credit period on purchases of goods is 56 (2008: 53) days. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

35 Bills Payable

The aged analysis of bills payable at the end of the reporting period is as follows:

	Group	
	2009	2008
	US$'000	US$'000
0 to 30 days	**18,190**	6,746
31 to 60 days	**9,798**	1,732
61 to 90 days	**3,723**	7,992
91 to 120 days	**127**	552
Over 120 days	**1,395**	—
	33,233	17,022

36 Deferred Payable

In 2006, 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 nor 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. During the year, the Company has derecognised the deferred payable in respect of the remaining 2.78% equity interest in Qingdao Pacific at a consideration of US$600,000, and the corresponding deferred payable of US$673,000 has been eliminated and a gain on derecognition of deferred payable of US$73,000 has been credited to profit or loss accordingly.

	Group and Company US$'000
At 1 January 2008	1,992
Imputed interest on deferred payable	60
	2,052
Payment for the year	(242)
At 31 December 2008	1,810
Imputed interest on deferred payable	48
	1,858
Payment for the year	(151)
Derecognition	(673)
At 31 December 2009	1,034
Analysed for reporting purpose as:	
For 2009:	
Amount shown under non-current liabilities	939
Amount shown under current liabilities	95
	1,034
For 2008:	
Amount shown under non-current liabilities	1,645
Amount shown under current liabilities	165
	1,810

37 Share Capital

	Number of shares		Share Capital			
	2009	2008	**2009 US$'000**	**2009 HK$'000**	2008 US$'000	2008 HK$'000
Ordinary shares of HK$0.10 each						
Authorised:						
At beginning of the year	**1,000,000,000**	1,000,000,000	**12,843**	**100,000**	12,843	100,000
Increase on 3 April 2009 *(Note a)*	**2,000,000,000**	–	**25,806**	**200,000**	–	–
At end of year	**3,000,000,000**	1,000,000,000	**38,649**	**300,000**	12,843	100,000
Issued and fully paid:						
At beginning of the year	**702,912,760**	702,912,760	**9,025**	**70,291**	9,025	70,291
Issue of ordinary shares on rights issue *(Note b)*	**1,405,825,520**	–	**18,139**	**140,583**	–	–
Issue of ordinary shares by private placement *(Note c)*	**300,000,000**	–	**3,870**	**30,000**	–	–
At end of year	**2,408,738,280**	702,912,760	**31,034**	**240,874**	9,025	70,291

Notes:

(a) *On 3 April 2009, an ordinary resolution of the Company was passed to increase the authorised share capital of the Company from HK$100,000,000 to HK$300,000,000 by the creation of 2,000,000,000 new ordinary shares of HK$0.10 each. Such new shares shall rank pari passu in all respects with the existing shares of the Company.*

(b) *On 29 April 2009, 1,405,825,520 ordinary shares were issued at HK$0.35 per share in relation to a rights issue transaction on the basis of two rights shares for every one existing share. The issuance of these new shares was approved by the independent shareholders of the Company at the extraordinary general meeting held on 3 April 2009. These new shares rank pari passu with other shares in issue in all respects. The net proceeds from the rights issue were used to partially repay the Group's bank loans in order to save the Group's interest expenses and strengthen the Group's financial position.*

(c) *On 18 November 2009, 300,000,000 ordinary shares were issued at HK$1.30 per share in relation to a share placement. The issue price of HK$1.30 representing a discount of approximately 14.47% to the closing market price of the Company's share on 17 November 2009. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 5 June 2009 and rank pari passu with other shares in issue in all respects. The net proceeds from the placement were used for existing and future business developments and as general working capital for the Group.*

38 Share-Based Payments

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 1 June 2007 for the primary purpose of providing incentives to Directors and eligible employees of the Group, and may be terminated by resolution in general meeting. Under the Scheme, the Directors may grant options to qualifying grantees, including employees or directors of the Company and / or the Group.

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 35,354,000 (2008: 27,560,000), representing approximately 1.47% (2008: 3.92%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue on the adoption date, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue on the offer date without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer. An aggregate of HK$1 is payable by each qualifying grantee on acceptance of the offer. Options may be exercised within the option period (must not exceed 10 years from the date of grant of the relevant option) which shall be determined by the board of Directors in its absolute discretion at the time of grant. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options of 8,860,000 underlying shares were granted on 6 August 2008 at the exercise price of HK$1.93.

Share options of 20,300,000 underlying shares were granted on 28 June 2007 at the exercise price of HK$5.14.

Details are as follows:

Number of options	Vesting period	Exercisable period
Option granted on 28 June 2007:		
6,766,666	28 June 2007 to 27 June 2008	28 June 2008 to 27 June 2017
6,766,667	28 June 2007 to 27 June 2009	28 June 2009 to 27 June 2017
6,766,667	28 June 2007 to 27 June 2010	28 June 2010 to 27 June 2017
Option granted on 6 August 2008:		
2,953,333	6 August 2008 to 5 August 2009	6 August 2009 to 5 August 2018
2,953,333	6 August 2008 to 5 August 2010	6 August 2010 to 5 August 2018
2,953,334	6 August 2008 to 5 August 2011	6 August 2011 to 5 August 2018

38 Share-Based Payments *(Continued)*

2009

The following table discloses the Company's share options held by employees (including Directors):

	Outstanding at 1 January 2009 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year before adjustment '000	Adjusted during the year *(note)* '000	Forfeited during the year after adjustment '000	Outstanding at 31 December 2009 '000
Directors	14,830	–	–	(420)	4,417	–	18,827
Employees	12,730	–	–	–	3,902	(105)	16,527
	27,560	–	–	(420)	8,319	(105)	35,354

38 Share-Based Payments *(Continued)*

2009 *(Continued)*

The following table discloses the movements of the Company's share options by the vesting period during the year.

	Outstanding at 1 January 2009 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year before adjustment '000	Adjusted during the year *(Note)* '000	Forfeited during the year after adjustment '000	Outstanding at 31 December 2009 '000
Granted on 28 June 2007:							
– with vesting period of 28 June 2007 to 27 June 2008	6,233	–	–	(100)	1,880	–	8,013
– vesting period of 28 June 2007 to 27 June 2009	6,234	–	–	(100)	1,880	–	8,014
– with vesting period of 28 June 2007 to 27 June 2010	6,233	–	–	(100)	1,880	–	8,013
Granted on 6 August 2008:							
– with vesting period of 6 August 2008 to 5 August 2009	2,953	–	–	(40)	893	(35)	3,771
– with vesting period of 6 August 2008 to 5 August 2010	2,953	–	–	(40)	893	(35)	3,771
– with vesting period of 6 August 2008 to 5 August 2011	2,954	–	–	(40)	893	(35)	3,772
	27,560	–	–	(420)	8,319	(105)	35,354
Exercisable at the end of the year	6,233						19,798

38 Share-Based Payments *(Continued)*

2008

The following table discloses the Company's share options held by employees (including Directors):

	Outstanding at 1 January 2008 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2008 '000
Directors	10,800	4,330	—	(300)	14,830
Employees	9,200	4,530	—	(1,000)	12,730
	20,000	8,860	—	(1,300)	27,560

The following table discloses movements of the Company's share options by the vesting period during the year.

	Outstanding at 1 January 2008 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2008 '000
Granted on 28 June 2007:					
– with vesting period of 28 June 2007 to 27 June 2008	6,666	—	—	(433)	6,233
– with vesting period of 28 June 2007 to 27 June 2009	6,667	—	—	(433)	6,234
– with vesting period of 28 June 2007 to 27 June 2010	6,667	—	—	(434)	6,233
Granted on 6 August 2008:					
– with vesting period of 6 August 2008 to 5 August 2009	—	2,953	—	—	2,953
– with vesting period of 6 August 2008 to 5 August 2010	—	2,953	—	—	2,953
– with vesting period of 6 August 2008 to 5 August 2011	—	2,954	—	—	2,954
	20,000	8,860	—	(1,300)	27,560
Exercisable at the end of the year	—				6,233

38 Share-Based Payments *(Continued)*

Note: Immediate after the rights issue became unconditional, adjustments were made to the exercise price and the number of outstanding share options to subscribe for shares granted pursuant to the share option scheme.

The following table sets out the adjustments on the share option scheme:

	Before adjustments		After adjustments	
Date of grant	**Exercise price of each option** *(HK$)*	**Number of share options**	**Exercise price of each option** *(HK$)*	**Number of share options**
28 June 2007	5.14	18,400,000	3.93	24,039,600
6 August 2008	1.93	8,740,000	1.48	11,418,810
Total number of options		27,140,000		35,458,410

For the share options granted on 6 August 2008, the fair value of the options determined at the date of grant using the Binomial option pricing model ranged from HK$0.53 to HK$0.72.

The following assumptions were used to calculate the fair values of share options:

Closing share price at the date of grant	HK$1.83
Exercise price	HK$1.93
Option life	10 years
Expected volatility	45%
Semi-annual dividend yield	2.8%
Risk-free interest rate	3.55%

For the share options granted on 28 June 2007, the fair value of the options determined at the date of grant using the Binomial option pricing model ranged from HK$1.62 to HK$2.52.

The following assumptions were used to calculate the fair values of share options:

Closing share price at the date of grant	HK$5.25
Exercise price	HK$5.14
Option life	10 years
Expected volatility	48%
Semi-annual dividend yield	1%
Risk-free interest rate	4.78%

The Binomial option pricing model has been used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share option expense of US$1,363,000 (2008:US$2,503,000) was recognised for the year ended 31 December 2009.

39 Reserves

Company	Share premium US$'000	Share option reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2008	145,646	1,877	111,643	259,166
Loss for the year	—	—	(22,524)	(22,524)
	145,646	1,877	89,119	236,642
Recognition of equity-settled share-based payments	—	2,503	—	2,503
Transfer of forfeited option reserves to accumulated profits	—	(250)	250	—
Dividend paid	—	—	(8,122)	(8,122)
At 31 December 2008	145,646	4,130	81,247	231,023
Loss for the year	—	—	(25,409)	(25,409)
	145,646	4,130	55,838	205,614
Issue of ordinary shares on rights issue	45,348	—	—	45,348
Rights issue expenses	(1,979)	—	—	(1,979)
Issue of ordinary shares on placing	46,445	—	—	46,445
Placement expenses	(1,373)	—	—	(1,373)
Recognition of equity-settled share-based payments	—	1,363	—	1,363
Transfer of forfeited option reserves to accumulated profits	—	(78)	78	—
At 31 December 2009	**234,087**	**5,415**	**55,916**	**295,418**

Distributable reserves of the Company at 31 December 2009, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to US$55,916,000 (2008: US$81,247,000).

40 Bank Borrowings

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings comprise the following :				
Bank loans				
Unsecured				
– within 1 year	**178,124**	346,522	**55,000**	173,338
– in more than 1 year, but not exceeding 2 years	**1,831**	21,829	**–**	–
– in more than 2 years, but not exceeding 5 years	**1,831**	3,658	**–**	–
	181,786	372,009	**55,000**	173,338
Less : Amount due within one year shown under current liabilities	**(178,124)**	(346,522)	**(55,000)**	(173,338)
Amount due after one year	**3,662**	25,487	**–**	–

In respect of certain banking facilities with outstanding balance of US$72,500,000 as at 31 December 2008, the Group was unable to meet the required interest coverage ratio stipulated under the respective facility agreements of these facilities. On discovery of this issue, the Directors informed the banks and commenced a renegotiation of the terms of the underlying facility agreements. At the end of the reporting period of 2008, those negotiations had not been concluded and the entire outstanding balance was then classified in the current liabilities as at 31 December 2008 accordingly. This renegotiation was subsequently concluded with the relevant covenant term as at 31 December 2008 being amended by the banks in February 2009. The bank loans of US$72,500,000 was subsequently repaid in 2009.

The Group's bank borrowings are principally on a floating rate basis which carry interest at either LIBOR or borrowing rate offered by the People's Bank of China plus certain basis points. Interest is repriced every one to six months.

The ranges of effective annual interest rates for the year 2009 on the Group's bank borrowings were 1.0% to 8.3% (2008: 1.9% to 8.8%).

40 Bank Borrowings *(Continued)*

On 20 May 2005, the Company 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 commenced on 20 November 2006 and will continue until 20 May 2010. At the end of the year 2008, the syndicated loan of the Group and the Company amounted to US$68,750,000 was classified as current liability. The bank loan carries floating rate interest of LIBOR plus 0.625% per annum. The bank loan was subsequently repaid in 2009.

At the end of the reporting period, the Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	2009 US$'000	2008 US$'000
RMB	**55,455**	76,973

41 Deferred Tax (Liabilities) Assets

Group

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 US$'000	2008 US$'000
Deferred tax assets	**34**	1,175
Deferred tax liabilities	**(520)**	(601)
	(486)	574

41 Deferred Tax (Liabilities) Assets *(Continued)*

Group *(Continued)*

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

	Accelerated tax depreciation US$'000	Tax losses US$'000	Undistributed profits US$'000	Other assets US$'000	Total US$'000
At 1 January 2008	124	5,419	—	154	5,697
Credit (charge) to profit or loss	11	(4,431)	(601)	(102)	(5,123)
At 31 December 2008	135	988	(601)	52	574
Credit (charge) to profit or loss *(note 14)*	(101)	(988)	81	(52)	(1,060)
At 31 December 2009	**34**	**—**	**(520)**	**—**	**(486)**

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1 , dividend distributed out of the profits generated since 1 January 2008 shall be subject to PRC Enterprise Income Tax and which held by the PRC entity pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment Enterprises and Foreign Enterprises. Deferred tax credit of US$81,000 (2008: deferred tax charge of US$601,000) on the undistributed earnings has been credited (2008: charged) to the consolidated income statement for the year ended 31 December 2009.

At 31 December 2009, the Group has unused tax losses of US$94,168,000 (2008: US$53,493,000) available for offset against future profits. No (2008: US$12,835,000) tax losses has been recognised as deferred tax assets. No deferred tax asset has been recognised on the remaining tax losses of US$94,168,000 (2008: US$40,658,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$597,000, US$11,616,000, US$9,481,000, US$1,425,000 and US$43,992,000 that will expire in 2010, 2011, 2012, 2013 and 2,014 (2008: US$597,000, US$46,000 and US$10,251,000 in 2010, 2011 and 2013), respectively. Other losses may be carried forward indefinitely.

At 31 December 2009, the Group has deductible temporary differences of US$18,013,000 (2008: nil). No deferred tax asset in relation to such deductible temporary difference has been recognised due to the unpredictability of future profit streams.

42 Acquisition of Additional Interest in Subsidiaries and Disposal of Assets Classified as Held for Sale

In 2008, the Company has entered into Share Transfer Agreements with Shanghai Universal under which the Company conditionally agreed to acquire from Shanghai Universal 20% equity interest in each of Hui Zhou Pacific and Ningbo Pacific, subsidiaries of the Company and to dispose of its entire 20%, 20% and 10% equity interest in Dong Fang (Guang Zhou), Dong Fang (Jin Zhou) and Lianyungang, respectively to Shanghai Universal. Investments in Dong Fang (Guang Zhou), Dong Fang (Jin Zhou) and Lianyungang had been classified as assets held for sale in 2008. The transaction was completed in December 2009 and the disposal of the assets held for sale did not result in significant gain or loss.

At the time of the acquisition of additional interests of Hui Zhou Pacific and Ningbo Pacific, the identifiable assets, liabilities and contingent liabilities of these subsidiaries continue to be carried at their book value in the consolidated statement of financial position. The excess of the fair value and the book value of the net assets attributable to the additional interests acquired amounted to US$3,193,000 has been recognised as other reserve in the consolidated statement of changes in equity. The amount of goodwill arising as a result of the acquisition was US$746,000.

43 Contingent Liabilities

	Company	
	2009	2008
	US$'000	US$'000
Guarantees given to bank, in respect of banking facilities to:		
The subsidiaries:		
– amount guaranteed	**347,635**	346,769
– amount utilised	**123,145**	124,205

	Group and Company	
	2009	2008
	US$'000	US$'000
A jointly controlled entity:		
– amount guaranteed	**13,200**	13,000
– amount utilised	**8,690**	12,435

44 Capital Commitments

	Group	
	2009	2008
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**5,787**	1,129

The Company has no capital commitment at 31 December 2009 and 2008.

45 Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– within 1 year	**1,473**	1,514	**726**	726
– in the 2nd to 5th year inclusive	**2,714**	3,319	**242**	968
– over 5 years	**1,549**	2,514	**—**	—
	5,736	7,347	**968**	1,694

Operating lease payments represent rentals payable by the Group for certain of its container depot sites. Leases are negotiated for an average period of 1 to 10 years and rentals are fixed for an average of 1 to 3 years.

The Group as Lessor

At the end of the reporting period, certain leasehold land and buildings of the Company with an aggregate carrying amount of US$1,023,000 (2008: US$1,053,000) were rented out under operating leases. Property rental income earned during the year was US$60,000 (2008: US$60,000). These properties have committed tenants for the next year.

At the end of the reporting period, the Company had contracted with tenants for the following future minimum payments under non-cancelable operating leases:

	Group and Company	
	2009	2008
	US$'000	US$'000
– within 1 year	**60**	60

46 Related Party Transactions

Group

Other than those disclosed in notes 24 and 31 to the consolidated financial statements, 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:

	2009 US$'000	2008 US$'000
Sales to ultimate holding company	320	1,321
Sales to fellow subsidiaries *(Note)*	2,793	2,261
Sales to a related company *(Note)*	4,809	7,082
Rental income received from a fellow subsidiary *(Note)*	60	60

During the year, the Company paid approximately US$526,000 to STL as the sub-underwriting commission in relation to a rights issue transaction on the basis of two rights shares for every one existing share. This sub-underwriting commission has been deducted from the share premium of the Company.

In 2008, the Company disposed of a majority of its swap derivative financial instruments with an aggregate notional amount of US$371.5 million to STL at a total consideration of net payments of US$120,000. The consideration as agreed by both parties was an approximate fair value by reference to the estimated unwinding value provided by the swap derivative financial instruments counterparty as at the date of disposal.

Note: The fellow subsidiaries are Pacific International Lines (China) Ltd., PIL Logistics (China) Co., Ltd., PDL International Pte Ltd. and STL. The related company is PILHK, in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, Directors, have beneficial interests.

The balances with the related parties are disclosed in the consolidated statement of financial position and note 31. All such balances are subject to normal credit terms of 30 days to 90 days (2008: 30 days to 90 days).

Compensation of key management personnel

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

	2009 US$'000	2008 US$'000
Short-term employee benefits	1,416	1,664
Post-employment benefits	31	43
Share-based payment	1,083	1,967
	2,530	3,674

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

Company

The balance with ultimate holding company, fellow subsidiaries, associates, jointly controlled entities and subsidiaries are disclosed in the statement of financial positions and notes 21 and 24.

Five Year Financial Summary

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	%	%	%	%	%
Sales Mix (as a percentage of sales)					
Manufacturing:					
Dry freight	**35**	74	78	86	86
Collapsible flatracks, other specialised containers, containers chassis and container parts	**19**	9	9	3	1
Refrigerated containers	**22**	9	9	7	9
Tank containers	**11**	5	2	—	—
	87	97	98	96	96
Logistics services:					
Hong Kong	**5**	1	1	3	3
PRC (other than Hong Kong, Macau and Taiwan)	**8**	2	1	1	1
	13	3	2	4	4
Total	**100**	100	100	100	100

	TEUs	TEUs	TEUs	TEUs	TEUs
Production volume					
20-foot containers	**34,373**	274,047	342,064	247,204	179,271
40-foot containers	**7,804**	58,564	142,144	80,896	114,404
40-foot high cube containers	**24,588**	211,318	327,260	222,292	199,540
45-foot high cube containers	**1,419**	3,939	5,262	13,467	1,067
Others	**18,416**	19,532	21,908	19,684	—
	86,600	567,400	838,638	583,543	494,282

Five Year Financial Summary

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**274,647**	1,385,269	1,546,042	924,011	842,936
(Loss) profit from operations	**(49,633)**	72,869	44,496	30,549	57,404
Finance costs	**(10,027)**	(28,108)	(29,432)	(17,732)	(9,397)
Investment income	**971**	2,046	1,885	1,540	1,186
Changes in fair value of derivative financial instruments	**5,818**	(30,457)	24,881	7,468	67
Share of results of associates	**665**	1,292	(1,256)	1,189	1,208
Share of results of jointly controlled entities	**(6,813)**	532	420	(477)	9,683
(Loss) profit before taxation	**(59,019)**	18,174	40,994	22,537	60,151
Income tax expense	**(2,896)**	(6,900)	(6,635)	(1,219)	(6,146)
(Loss) profit for the year	**(61,915)**	11,274	34,359	21,318	54,005
Attributable to:					
Owners of the Company	**(51,914)**	4,515	33,994	18,096	44,899
Minority interests	**(10,001)**	6,759	365	3,222	9,106
	(61,915)	11,274	34,359	21,318	54,005
(Loss) earnings per share	**US(2.97) cents**	US0.51 cent	US5.37 cents	US2.96 cents	US7.35 cents
Assets and Liabilities					
Total assets	**737,192**	907,083	1,091,637	963,647	512,477
Total liabilities	**(333,121)**	(542,359)	(735,769)	(694,366)	(257,511)
	404,071	364,724	355,868	269,281	254,966
Equity attributable to owners of the Company	**364,484**	307,794	305,855	226,146	215,714
Minority interests	**39,587**	56,930	50,013	43,135	39,252
Total equity	**404,071**	364,724	355,868	269,281	254,966