SINGAMAS

勝獅貨櫃企業有限公司

SINGAMAS CONTAINER HOLDINGS LIMITED

Interim Report 2001

德勤・關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF SINGAMAS CONTAINER HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by Singamas Container Holdings Limited to review the interim financial report set out on pages 2 to 11.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards ("SAS") 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed income statement, cash flow statement and statement of recognised gains and losses for the six months ended 30th June, 2000 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 6th September, 2001

The Board of Directors (the "Directors") of Singamas Container Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to the "Group") for the six months ended 30th June, 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2001

		For the six months ended 30th June,	
		2001	2000
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Turnover	*2*	**85,530**	76,929
Other revenue		**1,303**	1,002
Changes in inventories of finished goods and work in progress		**10,306**	1,784
Raw materials and consumables used		**(57,899)**	(51,942)
Staff costs		**(7,076)**	(6,356)
Depreciation and amortisation expenses		**(2,661)**	(2,512)
Other operating expenses		**(22,017)**	(13,707)
Profit from operations		**7,486**	5,198
Finance costs		**(2,423)**	(2,077)
Investment income		**201**	273
Share of results of associates		**638**	301
Profit before taxation		**5,902**	3,695
Taxation	*3*	**(531)**	(493)
Profit after taxation		**5,371**	3,202
Minority interests		**(1,783)**	(1,082)
Net profit for the period		**3,588**	2,120
Earnings per share	*5*	**0.79 cent**	0.46 cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2001

	Notes	As at 30th June, 2001 (unaudited) US$'000	As at 31st December, 2000 (audited) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**45,637**	46,930
Patents		**1,896**	1,987
Interests in associates		**17,305**	10,318
Other assets		**877**	904
		65,715	60,139
Current assets			
Inventories	7	**62,062**	39,855
Accounts receivable	8	**36,073**	52,708
Prepayments and other receivables		**9,293**	8,898
Amount due from ultimate holding company		**59**	65
Amounts due from fellow subsidiaries		**206**	272
Amounts due from associates		**424**	1,514
Amount due from a related company		**1,616**	776
Tax recoverable		**272**	15
Pledged deposit		**1,715**	2,011
Bank balances and cash		**21,168**	16,544
		132,888	122,658
Total assets		**198,603**	182,797
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**5,854**	5,854
Share premium	12	**38,522**	38,522
Accumulated profits	12	**3,976**	1,053
Other reserves	12	**2,832**	2,386
		51,184	47,815
Minority interests		**28,733**	28,271
		79,917	76,086
Non-current liabilities			
Bank borrowings	10	**11,521**	7,080
Obligations under finance leases and hire purchase contracts		**177**	493
		11,698	7,573

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30th June, 2001

	Notes	As at 30th June, 2001 (unaudited) US$'000	As at 31st December, 2000 (audited) US$'000
Current liabilities			
Accounts payable	9	**25,931**	24,793
Accruals and other payables		**15,349**	15,848
Bills payable		**14,883**	7,163
Amount due to ultimate holding company		**899**	1,344
Amounts due to associates		**749**	27
Bank borrowings	10	**47,896**	48,472
Obligations under finance leases and hire purchase contracts		**691**	863
Tax payable		**590**	628
		106,988	99,138
Total equity and liabilities		**198,603**	182,797

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th June, 2001

	For the six months ended 30th June, 2001 (unaudited) US$'000	2000 (unaudited) US$'000
Exchange differences arising on translation of overseas operations not recognised in income statement	**17**	(37)
Net profit for the period	**3,588**	2,120
Total recognised gains and losses	**3,605**	2,083
Adjustment for negative goodwill arising on acquisition of additional interest in an associate in last year	**(236)**	–
	3,369	2,083

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2001

	For the six months ended 30th June,	
	2001	2000
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Net cash inflow from operating activities	**13,755**	3,755
Net cash outflow from returns on investments and servicing of finance	**(1,969)**	(2,316)
Taxation paid	**(826)**	(390)
Net cash outflow from investing activities	**(9,714)**	(2,315)
Net cash inflow/(outflow) before financing	**1,246**	(1,266)
Net cash inflow/(outflow) from financing	**16,099**	(5,671)
Increase/(Decrease) in cash and cash equivalents	**17,345**	(6,937)
Cash and cash equivalents at 1st January	**(11,395)**	(9,295)
Effect of foreign exchange rate changes	**1**	(36)
Cash and cash equivalents at 30th June	**5,951**	(16,268)
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**21,168**	14,786
Bank borrowings with less than three months maturity	**(15,217)**	(31,054)
	5,951	(16,268)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new accounting policies.

Segment reporting

SSAP 26 "Segment reporting", which has been adopted for the first time in this interim reporting period, has established principles for reporting the segmental analysis of financial information.

The adoption of this standard does not change the basis of identification of reportable segments in prior period.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions of subsidiaries and associates prior to 1st January, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions of subsidiaries and associates prior to 1st January, 2001 will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

Intangible assets

In the prior years, the Group has acquired technical know-how which is reported as patents and carried at cost less amortisation and impairment losses. The cost of intangible assets is amortised over their estimated useful lives on a straight-line basis.

Impairment of assets

SSAP 31 "Impairment of assets" has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

In accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

The adoption of the above new accounting policies has had no material effect on amounts reported in prior period/years.

2. SEGMENT INFORMATION

	Turnover Six months ended		Contribution to profit from operations Six months ended	
	30th June, 2001	30th June, 2000	**30th June, 2001**	30th June, 2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Business segments				
Container manufacturing	**67,242**	62,266	**4,361**	3,151
Container depot	**12,316**	9,601	**2,177**	1,261
Mid-stream	**5,972**	5,062	**948**	786
	85,530	76,929	**7,486**	5,198

	Turnover Six months ended		Contribution to profit from operations Six months ended	
	30th June, 2001	30th June, 2000	**30th June, 2001**	30th June, 2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Geographical segments				
United States	**34,396**	20,866	**3,158**	1,086
Hong Kong	**18,050**	17,718	**2,197**	1,519
People's Republic of China ("PRC") (other than Hong Kong and Taiwan)	**15,809**	11,352	**1,591**	1,417
Europe	**11,901**	14,551	**191**	535
Others	**5,374**	12,442	**349**	641
	85,530	76,929	**7,486**	5,198

3. TAXATION

Hong Kong profits tax has been provided for at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

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

	Six months ended 30th June, 2001 *US$'000*	30th June, 2000 *US$'000*
Company and subsidiaries:		
Hong Kong profits tax	**133**	–
Overseas taxation	**398**	493
	531	493

4. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period ended 30th June, 2001 (2000: Nil).

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of US$3,588,000 (2000: US$2,120,000) and 456,001,760 ordinary shares (2000: 456,001,760 ordinary shares) in issue throughout the period. Diluted earnings per share is not presented as the exercise price of the Company's outstanding share options was higher than the average market price of shares for both periods.

6. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent US$2,534,000 (2000: US$2,394,000) to upgrade its manufacturing, container depot and mid-stream facilities.

7. INVENTORIES

	As at 30th June, 2001 *US$'000*	As at 31st December, 2000 *US$'000*
Raw materials	**31,707**	19,806
Work in progress	**2,596**	2,063
Finished goods	**27,759**	17,986
	62,062	39,855

As at 30th June, 2001, raw materials and finished goods totaling of US$389,000 (2000: US$250,000) were carried at net realisable value. The cost of inventories recognised as an expense during the period was US$69,121,000 (2000: US$65,437,000).

8. ACCOUNTS RECEIVABLE

A defined credit policy is maintained within the Group. The general credit terms are agreed with each of its trade customers depending on the relationship with the Group and the creditworthiness of the customers.

The following is an aging analysis of accounts receivable:

	As at 30th June, 2001 ***US$'000***	As at 31st December, 2000 *US$'000*
0 to 30 days	**9,622**	19,286
31 to 60 days	**10,689**	8,873
61 to 90 days	**9,262**	7,219
91 to 120 days	**3,689**	6,722
Over 120 days	**2,811**	10,608
	36,073	52,708

9. ACCOUNTS PAYABLE

The following is an aging analysis of accounts payable:

	As at 30th June, 2001 ***US$'000***	As at 31st December, 2000 *US$'000*
0 to 30 days	**8,888**	11,651
31 to 60 days	**4,708**	4,667
61 to 90 days	**4,479**	3,609
91 to 120 days	**4,740**	2,405
Over 120 days	**3,116**	2,461
	25,931	24,793

10. BORROWINGS

During the period, the Group obtained new bank loans in the amount of US$23,419,000. The loans bear interest at market rates and are repayable over a period of six years. The proceeds were used to finance raw material purchases and investments made during the period.

11. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

12. RESERVES

	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1st January, 2000						
– The Company and subsidiaries	38,522	232	848	848	(5,528)	34,922
– Associates	–	31	46	34	639	750
	38,522	263	894	882	(4,889)	35,672
Exchange translation differences						
– The Company and subsidiaries	–	11	–	–	–	11
– Associates	–	3	–	–	–	3
Net profit for the year	–	–	–	–	6,082	6,082
Negative goodwill arising on acquisition of additional interest in an associate	–	–	–	–	193	193
Transfer from accumulated profits	–	–	222	111	(333)	–
At 31st December, 2000						
– The Company and subsidiaries	38,522	243	976	939	(877)	39,803
– Associates	–	34	140	54	1,930	2,158
	38,522	277	1,116	993	1,053	41,961
Exchange translation differences						
– The Company and subsidiaries	–	1	–	–	–	1
– Associates	–	16	–	–	–	16
Net profit for the year	–	–	–	–	3,588	3,588
Adjustment for negative goodwill arising on acquisition of additional interest in an associate in last year	–	–	–	–	(236)	(236)
Transfer from accumulated profits	–	–	250	179	(429)	–
At 30th June, 2001	**38,522**	**294**	**1,366**	**1,172**	**3,976**	**45,330**
Attributable to :						
– The Company and subsidiaries	38,522	244	1,149	1,042	3,169	44,126
– Associates	–	50	217	130	807	1,204
	38,522	294	1,366	1,172	3,976	45,330

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

Goodwill reserve grouped under accumulated profits has not been presented separately as the amount involved is insignificant.

13. CONTINGENT LIABILITIES

	As at 30th June, 2001 US$'000	As at 31st December, 2000 US$'000
Guarantees for bank facilities utilised by an associate	**2,416**	2,416
Performance bonds	**1,208**	1,208
	3,624	3,624

14. CAPITAL COMMITMENTS

	As at 30th June, 2001 US$'000	As at 31st December, 2000 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided	**1,423**	524

15. RELATED PARTY TRANSACTIONS

During the six months ended 30th June, 2001, the Group entered into the following transactions with related parties:

	Six months ended 30th June, 2001 US$'000	30th June, 2000 US$'000
Sales to ultimate holding company *(note a)*	**73**	66
Sales to a fellow subsidiary *(note a)*	**660**	504
Sales to a related company *(note a)*	**3,578**	2,976
Rental paid to ultimate holding company *(note b)*	**10**	9

Notes:

(a) Sales to ultimate holding company, a fellow subsidiary and a related company were conducted at market prices and on terms no less favourable than those charged to and contracted with other third party customers of the Group. The fellow subsidiary is Pacific International Lines (China) Ltd., in which Pacific International Lines (Private) Limited ("PIL"), a substantial shareholder of the Company, has 100% effective interest. The related company is Pacific International Lines (HK) Limited, in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests.

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

BUSINESS REVIEW

During the period under review, the overall performance of the Group remains satisfactory. Consolidated turnover for the six months ended 30th June, 2001 was US$85,530,000, representing an increase of 11.2% over the corresponding period of last year. Consolidated profit after taxation and minority interests was US$3,588,000, improved by 69.2% over 2000.

The positive results were mainly attributable to the good performance of the Group's container depot business. The mid-stream operation also recorded healthy improvement while the container manufacturing business remained stable.

Progressing into the new millennium, the business environment remains competitive. Good results achieved by the Group has proven its business strategies, including its expansion into the People's Republic of China (the "PRC") and to other countries in the Asian region, effective cost control policies as well as the Group's commitment to business development and effective profit enhancement implemented in the past few years.

Container Manufacturing Operations

Container manufacturing remained the Group's core business, accounting for 78.6% of its total turnover. For the six months ended 30th June, 2001, the downturn of the U.S. economy depressed prices and slowed down new orders. Average selling prices for dry freight containers reduced by approximately 5% as compared with the same period last year. However, the cost of raw materials; in particular, the price of steel and plywood also dropped by approximately 5-6%, which compensated the decrease in selling prices and enabled the Group to maintain its overall profit margins. For the first half of 2001, the Group's container manufacturing operations recorded consolidated turnover of US$67,242,000, 8.0% more than the same period of last year. Profit before taxation and minority interests was US$2,668,000, 57.6% higher than last year.

On 6th February, 2001, the Company entered into a joint venture agreement to acquire 40% equity interest in Shunde Shun An Da Pacific Container Co., Ltd. ("SSPC"), which mainly produces ISO dry freight containers and 45-foot/48-foot specialised containers. After four months' operation, SSPC began to contribute positively to the Group with monthly production capacity currently at around 11,000 twenty-foot equivalent units ("TEUs"). The addition of SSPC not only is in line with the Group's strategy to increase its production capacity and to capture a larger market share, it also extends the Group's manufacturing network to the Southern PRC to capture the market demand in that region. The Group believes that the inclusion of SSPC will further strengthen the competitiveness and market position of its container manufacturing business in the PRC and the global markets.

Container Manufacturing Operations *(Continued)*

At the same time, Shanghai Reeferco Container Co., Ltd. ("Shanghai Reeferco"), specialising in the production of environment friendly Chlorofluorocarbon free refrigerated containers ("reefers"), has reported growth in both turnover and profit. After upgrading Shanghai Reeferco's production facilities and processes by entering into a technical collaboration agreement with Hyundai Mobis Company Limited in October 2000, the factory's efficiencies are greatly improved with daily production capacity increased from 12 units to 28 units. During the period under review, Shanghai Reeferco produced 5,502 TEUs.

Container Depot Operations

During the first half of 2001, the Group's container depot operations continued to perform well and achieved significant results. It recorded consolidated turnover of US$12,316,000 and a consolidated profit before taxation and minority interests of US$2,281,000, 28.3% and 86.3% more than the corresponding period in 2000 respectively.

During the period under review, the container throughput handled by the PRC's major ports along the coastline remained strong with double-digit growth rates. Shanghai, Qingdao, Ningbo and Xiamen were amongst the busiest ports in the PRC and they collectively achieved a growth rate of 19.9%. With a comprehensive container depot network along these coastal ports, the Group's PRC container depots benefited from this growth. On the other hand, the declining cargo throughput in Hong Kong increased the empty container storage business of the Group's container depots in Hong Kong.

In line with the Group's strategy to extend its depot network coverage into other Asian countries, the Group entered into a shareholders' agreement on 12th February, 2001 with Pacific International Lines (Private) Ltd., Eastern Maritime (Thailand) Ltd. and a private investor to establish a new container depot, Singamas Falcon Logistics Co., Ltd. ("Singamas Falcon") in Bangkok, Thailand. Witnessing the economic recovery in Thailand and increasing container throughput in the Asia Pacific region, the Group believes that trade activities in the area will grow over time. The management expects Singamas Falcon will bring satisfactory contributions to the Group after its commencement of commercial operations in August.

Mid-stream Operation

During the first half of the year, the mid-stream operation achieved satisfactory results with a turnover of US$5,972,000 as compared to last year's US$5,062,000 and registered a profit before taxation of US$953,000, increased by 22.5% from 2000. It is expected that the Group's mid-stream operation will continue to perform well in the future.

PROSPECTS

In the view of falling business confidence in the region and the impact of a slowing US economy, the management will cautiously monitor the business environment and continue to strengthen its business foundations by focusing on its existing business and implementing prudent cost control strategies to protect the interests of its shareholders.

The Group will also continue to seek new business opportunities to extend its container manufacturing and depot networks with joint co-operations or acquisitions of factories and depots at strategic locations.

To enhance quality customer services, the Group has implemented the Company's website in May 2001. The website not only provides the Company's corporate profile, financial information and details of container factories and depots, but also enables customers and associates to gain on-line access through Factory Online and Depot Online to track their orders and container movements at any time. The website has been installed in all the Group's factories, container depots and the mid-stream operation. To further improve customer services, the Company intends to invest another HK$1 million to allow customers to place orders via the Internet in the future.

The Group is committed to maintain positive performance of the business and achieving better returns for shareholders.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th June, 2001 ("Interim Report"). At the request of the Directors, the Group's external auditors have carried out a review of the Interim Report in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

LIQUIDITY

As at 30th June, 2001, the Group had bank balances and cash of US$21,168,000 (31st December, 2000: US$16,544,000) and total borrowings of US$75,168,000 (31st December, 2000: US$64,071,000). This represented a gearing ratio, calculated on the basis of the Group's total borrowings over shareholders' funds, of 1.47 (31st December, 2000: 1.34) and a net debt to equity ratio, calculated on the basis of the Group's net borrowings (after deducting bank balances and cash of US$21,168,000) over shareholders' fund, of 1.06 (31st December, 2000: 0.99). The increase in total borrowings was largely attributable to the financing of the increase in inventories by US$22,207,000 and the increase in investments totaling US$7,566,000. Demand for new containers was strong during the period resulted in a 11.2% increase in turnover. To cope with the higher container demand, the Group expanded its production capacity and purchased and stored more raw materials to accommodate the increased production resulting in a higher inventory level. On the other hand, with tighter receivable collection control, despite an increase in turnover, trade receivable actually dropped to US$36,073,000 (31st December, 2000: US$52,708,000). The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 4.85 times for the six months ended 30th June, 2001 (2000: 4.44 times).

TREASURY POLICIES

The Group's treasury policies adopted for the six months period ended 30th June, 2001 are consistent with those disclosed in the Group's 2000 Annual Report.

The majority of the Group's borrowings is arranged on a short term revolving basis for the financing of the Group's daily working capital requirements. Of the total borrowings as at 30th June, 2001, the maturity profile spread over a period of six years with US$63,470,000 repayable within one year, US$11,498,000 within two to five years and US$200,000 within six years. The Group's borrowings are principally on a floating rate basis.

ACQUISITIONS

The Group invested a total of US$7,566,000 in the acquisition of 40% equity interest in Shunde Shun An Da Pacific Container Co., Ltd. (a dry freight container manufactory factory in Shunde, PRC) at a consideration of US$7,200,000, and in the acquisition of 25% shareholding of Singamas Falcon Logistics Co., Ltd. (a container depot in Bangkok, Thailand) at a consideration of approximately US$366,000 (Thai Baht 16.25 million). These two investments are approved by the Directors and are financed by internal resources and bank borrowings on a medium term committed basis.

CHARGES OF ASSETS

As at 30th June, 2001, certain assets of the Group with aggregate carrying value of US$13,783,000 (31st December, 2000: US$14,073,000) were pledged as security for loan facilities granted by banks to subsidiaries in Indonesia and the PRC. The shareholdings of the Group in three associates were also pledged as security for credit facilities granted to the Company. The Group's share of net assets and costs of these three associates were US$15,171,000 and US$14,600,000 respectively.

REMUNERATION POLICIES AND NUMBER OF EMPLOYEES

The remuneration policies adopted for the six months period ended 30th June, 2001 are consistent with those disclosed in the Group's 2000 Annual Report. As at 30th June, 2001, the Group employed 5,838 full-time employees.

DIRECTORS' INTERESTS

As at 30th June, 2001, the interests of the Directors in the listed securities of the Company as recorded in the Register maintained by the Company pursuant to Section 29 of Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company were as follows:

	Number of Ordinary Shares of HK$0.10 each		
Name	**Personal Interests**	**Corporate Interests**	**Percentage of issued shares**
Mr. Chang Yun Chung	–	285,660,178 *(Note)*	62.64
Mr. Teo Siong Seng	10,234,000	–	2.24
Mr. Teo Tiou Seng	1,114,000	–	0.24

Note: *These shares are held by Pacific International Lines (Private) Limited ("PIL") (an associated corporation, within the meaning of the SDI Ordinance, of the Company) in which Mr. Chang Yun Chung is interested in aggregate, in 16,525,000 shares representing 89.42% of the issued share capital of that company. Mr. Chang Yun Chung's interest in shares of PIL comprises a personal interest in 2,642,500 shares and corporate interests in 5,850,000 shares through South Pacific International Holdings Limited, a company in which he holds 55.71% of the issued share capital and 8,032,500 shares through Y C Chang & Sons Private Limited, a company in which he holds 2.86% of the issued share capital.*

DIRECTORS' INTERESTS *(Continued)*

Pursuant to a share option scheme adopted on 17th June, 1993, the Company may offer to full-time employees of the Group (including executive directors of the Company) options to subscribe for ordinary shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time. Any option may be exercised at any time from the date on which the option was granted and prior to the expiry of ten years from that date. Consideration of HK$1.00 was received from each of the option holders at the time when the options were granted. Details of the outstanding share options granted by the Company are as follows:

Name	Date of Grant	Exercise Price (HK$)	Number of Share Options as at 30th June, 2001 & 2000
Mr. Teo Siong Seng	8th October, 1994	1.908	1,500,000
	15th May, 1995	1.440	1,500,000
Mr. Hsueh Chao En	8th October, 1994	1.908	400,000
			3,400,000

Other than those disclosed in note 15 to the financial statements (which in the opinion of the Directors were carried out in ordinary course of the Group's business), no contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

At no time during the period was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, with the exception of the Share Option Scheme, details of which are described above.

Other than as disclosed above, none of the Directors, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors, nor their spouses 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 period .

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

Other than the interests of certain directors disclosed under the section headed "Directors' interests" above, the Register of Substantial Shareholders maintained under section 16(1) of the SDI Ordinance discloses no other person having an interest of 10% or more in the issued share capital of the Company as at 30th June, 2001.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

On Behalf of the Broad
Chang Yun Chung
Chairman

Hong Kong, 6th September, 2001