

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting to the shareholders their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries and associates. The activities of its principal subsidiaries and associates are set out in notes 15 and 17, respectively, to the financial statements.

An analysis of the Group's turnover and contribution to profit before taxation for the year ended 31st December, 2000 by principal activity and geographical market is as follows:

Analysis by principal activity

	Turnover	Contribution to profit before taxation
	<i>US\$'000</i>	<i>US\$'000</i>
Container manufacturing	148,540	8,351
Container depot	21,856	2,965
Mid-stream	9,324	1,674
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	179,720	12,990
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Finance costs		(4,557)
Investment income		413
Share of results of associates		1,320
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Profit before taxation		10,166
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Report of the Directors (continued)

Analysis by geographical market

	Turnover	Contribution to profit before taxation
	<i>US\$'000</i>	<i>US\$'000</i>
United States	46,562	2,643
Hong Kong	40,459	3,484
Europe	34,057	1,276
PRC (other than Hong Kong and Taiwan)	31,829	3,914
Singapore	11,461	704
Taiwan	5,754	344
Indonesia	4,916	261
Japan	2,514	156
Others	2,168	208
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	179,720	12,990
	<hr/>	<hr/>
Finance costs		(4,557)
Investment income		413
Share of results of associates		1,320
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Profit before taxation		10,166
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RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 34.

The Directors do not recommend the payment of a dividend (1999: NIL) and propose that the net profit for the year be retained.

Report of the Directors (continued)

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 71 to 72.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Particulars regarding the principal subsidiaries and associates of the Company are set out in notes 15 and 17, respectively, to the financial statements.

LIQUIDITY

As at 31st December, 2000, the Group had bank balances and cash of US\$16.5 million (1999: US\$15.2 million) and total borrowings of US\$64.1 million (1999: US\$52.4 million). This represented a gearing ratio, calculated on the basis of the Group's total borrowings over shareholders' funds, of 1.34 (1999: 1.26) 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\$16.5 million) over shareholders' fund, of 0.99 (1999: 0.89). The increase in total borrowings was largely attributable to the financing of the increase in accounts receivable and inventories by US\$18,367,000 and US\$8,103,000, respectively. Turnover for 2000 increased by 30 per cent from 1999. The increased turnover coupled with the longer credit period offered to certain of the Group's long-term and major customers during the year increased accounts receivable. Besides, 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 and resulted in higher inventory level. The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 4.65 times in 2000, compared to 4.39 times in 1999.

Report of the Directors (continued)

TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The Group's revenues are mostly transacted in US\$ and maintains cash balances mainly in US\$, same is true for its machinery and material purchases. To a much lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesia Rupiah. The majority of the Group's borrowings, approximately 72.1 per cent of the total as at 31st December, 2000 was in US\$ with the balance mainly in RMB. This policy adheres to the Group's principle to match its revenues with borrowings to minimize currency exposure.

The majority of the Group's borrowings is arranged on a short term revolving basis for the financing of the Group's daily working capital requirements. Of the total borrowings at the year end date, the maturity profile spread over a period of six years with US\$55.6 million repayable within one year, US\$6.5 million within two to five years and US\$600,000 within six years. The Group's borrowings are principally on a floating rate basis. As the Group's borrowings are largely on short term basis, no hedging instruments are used by the Group since the effect of the interest rate exposure is nominal.

BANK BORROWINGS

Details of bank borrowings of the Group and the Company are set out in note 26 to the financial statements. No Interest was capitalised by the Group during the year.

CAPITAL EXPENDITURE

To capture a larger market share and further achieve economies of scale generated by the increase in container demand in the region, the Group actively increased its production capacity in the PRC during the year under review. Capital expenditure for the year totalled US\$7.4 million, which was largely used in the purchase of property, plant and equipment for the expansion of the production capacity.

ACQUISITIONS AND DISPOSALS

The Group invested US\$3.2 million in the acquisition of 15 per cent additional equity interest in Xiamen Pacific Container Manufacturing Co., Ltd. (a dry freight container manufacturing factory) at a consideration of US\$2.6 million, and in the acquisition of 30 per cent equity interest in a new container depot in Dalian, PRC at a consideration of US\$600,000. These two investments are approved by the directors of the Company and are financed by bank borrowings on a medium term committed basis.

Report of the Directors (continued)

ACQUISITIONS AND DISPOSALS (continued)

Details of investments made by the Company subsequent to the year-end date are set out in note 36 to the financial statements.

In December 2000, Shanghai Reeferco Container Co., Ltd. ("SRCC"), a subsidiary of the Company, issued additional US\$2 million of equity interest to a minority shareholder. The Group's equity interest in SRCC thus reduced from 57.7% to 52.4%. The profit on deemed disposal of interest in a subsidiary of US\$726,000 was resulted and credited to income statement in the year.

CHARGES OF ASSETS

As at 31st December, 2000, certain assets of the Group with aggregate carrying value of US\$14,073,000 (1999: US\$14,782,000) were pledged as security for loan facilities granted by banks to subsidiaries in Indonesia and the PRC, and the shareholdings of the Company in two associates were pledged as security for credit facilities granted to the Company. The Group's share of net assets and the Company's costs of these two associates were US\$8,557,000 and US\$6,800,000 respectively.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group and the Company are set out in note 29 to the financial statements.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year. Details of share capital are set out in note 23 to the financial statements.

Report of the Directors (continued)

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. Teo Tiou Seng

Mr. Kuan Kim Kin[#]

Mr. Ong Ka Thai^{*}

Mr. Ping Kim^{*}

^{*} *Independent Non-Executive Director*

[#] *Non-Executive Director*

In accordance with Articles 92, 93 and 98 of the Company's Articles of Association, Messrs. Chang Yun Chung, Ping Kim and Ong Ka Thai retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

AUDIT COMMITTEE

Pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), an Audit Committee of the Company was established on 24th August, 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. During the year under review, the Committee met twice.

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

Report of the Directors (continued)

DIRECTORS' INTERESTS

As at 31st December, 2000, 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:

Name	Number of Ordinary Shares of HK\$0.10 each		Percentage of issued shares
	Personal Interests	Corporate Interests	
Mr. Chang Yun Chung	–	285,660,178 (Note)	62.64
Mr. Teo Siong Seng	10,134,000	–	2.22
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 per cent 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 52 per cent 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 per cent of the issued share capital.

Details of the total share options held by the Directors during the year and as at 31st December, 2000 are listed below:

Name	Date of Grant	Exercise Price (HK\$)	Number of Share Options as at 31st December, 2000 & 1999
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

Further details of the Share Option Scheme of the Company are set out in note 24 to the financial statements.

Report of the Directors (continued)

DIRECTORS' INTERESTS (continued)

Other than those disclosed in note 33 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 year or at any time during the year.

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

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 per cent or more in the issued share capital of the Company as at 31st December, 2000.

CORPORATE GOVERNANCE

Throughout the year ended 31st December, 2000 the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, except that the non-executive director and the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Report of the Directors (continued)

DIRECTORS' SERVICE AGREEMENT

Mr. Teo Siong Seng has entered into a service agreement with the Company. Unless terminated by cause, the service agreement is for an initial term of three years which commenced on 1st April, 2000. Thereafter, the service agreement is valid for a further three years, unless terminated by either party giving at least six months' notice. No other Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

	Percentage
Percentage of purchases attributable to the Group's largest supplier	15.5
Percentage of purchases attributable to the Group's five largest suppliers	32.0
Percentage of sales attributable to the Group's largest customer	8.8
Percentage of sales attributable to the Group's five largest customers	31.0

During the year, none of the Directors or their associates or any shareholder (which to the knowledge of the Directors owns more than 5 per cent of the Company's share capital) had an interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFITS SCHEME

Details of the Retirement Benefits Schemes are set out in note 8 to the financial statements.

Report of the Directors (continued)

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT EXECUTIVES

Brief biographical details of the Directors and Senior Management Executives of the Company are set out on pages 15 to 18 under the Directors and Senior Management Profile section of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31st December, 2000, the Group, including its subsidiaries but excluding associates, employed 3,773 (1999: 3,345) full-time employees. Staff cost (including directors' emoluments) amounted to US\$14.5 million (1999: US\$13 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, normally equivalent to one month's basic salary. Factory workers are being remunerated based on a basic wage plus production incentive. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. To further enhance the capability of its human resource, the Group provides on-the-job training to its employees.

Neither the Company nor any of its subsidiaries has established a labour union, and is 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.

The Company has adopted a Share Option Scheme for employees, details of which are set out in note 24 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 36 to the financial statements.

AUDITORS

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chang Yun Chung

Chairman

Hong Kong, 3rd April, 2001