

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

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		Contribution to profit from operations	
	Six months ended		Six months ended	
	30th June, 2001 US\$'000	30th June, 2000 US\$'000	30th June, 2001 US\$'000	30th June, 2000 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
	<u>85,530</u>	<u>76,929</u>	<u>7,486</u>	<u>5,198</u>

	Turnover		Contribution to profit from operations	
	Six months ended		Six months ended	
	30th June, 2001 US\$'000	30th June, 2000 US\$'000	30th June, 2001 US\$'000	30th June, 2000 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
	<u>85,530</u>	<u>76,929</u>	<u>7,486</u>	<u>5,198</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

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
	<u>531</u>	<u>493</u>

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
	<u>62,062</u>	<u>39,855</u>

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).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

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
	<u>36,073</u>	<u>52,708</u>

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
	<u>25,931</u>	<u>24,793</u>

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

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
	<u>38,522</u>	<u>263</u>	<u>894</u>	<u>882</u>	<u>(4,889)</u>	<u>35,672</u>
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)	-
	<u>-</u>	<u>-</u>	<u>222</u>	<u>111</u>	<u>(333)</u>	<u>-</u>
At 31st December, 2000						
- The Company and subsidiaries	38,522	243	976	939	(877)	39,803
- Associates	-	34	140	54	1,930	2,158
	<u>38,522</u>	<u>277</u>	<u>1,116</u>	<u>993</u>	<u>1,053</u>	<u>41,961</u>
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)	-
	<u>-</u>	<u>-</u>	<u>250</u>	<u>179</u>	<u>(429)</u>	<u>-</u>
At 30th June, 2001	<u>38,522</u>	<u>294</u>	<u>1,366</u>	<u>1,172</u>	<u>3,976</u>	<u>45,330</u>
Attributable to :						
- The Company and subsidiaries	38,522	244	1,149	1,042	3,169	44,126
- Associates	-	50	217	130	807	1,204
	<u>38,522</u>	<u>294</u>	<u>1,366</u>	<u>1,172</u>	<u>3,976</u>	<u>45,330</u>

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

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
	<u>3,624</u>	<u>3,624</u>

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
	<u>1,423</u>	<u>524</u>

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 (<i>note a</i>)	73	66
Sales to a fellow subsidiary (<i>note a</i>)	660	504
Sales to a related company (<i>note a</i>)	3,578	2,976
Rental paid to ultimate holding company (<i>note b</i>)	10	9
	<u>4,921</u>	<u>4,555</u>

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.