

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, 2001.

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 activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 17, 19 and 20, respectively to the financial statements.

An analysis of the Group’s turnover and contribution to profit before taxation for the year ended 31st December, 2001 by principal activity and geographical market is as follows:

Analysis by principal activity

	Turnover US\$’000	Contribution to profit before taxation US\$’000
Container manufacturing	133,367	13,109
Logistics services		
Container depot/terminal	25,781	4,352
Mid-stream	12,814	1,934
	<u>171,962</u>	19,395
Finance costs		(4,192)
Investment income		752
Share of results of associates		1,044
Share of results of jointly controlled entities		<u>682</u>
Profit before taxation		<u>17,681</u>

Report of the Directors

(continued)

Analysis by geographical market

	Turnover US\$'000	Contribution to profit before taxation US\$'000
United States	66,773	7,231
Hong Kong	31,983	4,174
PRC (other than Hong Kong and Taiwan)	31,416	4,410
Europe	20,111	1,478
Others	21,679	2,102
	<u>171,962</u>	<u>19,395</u>
Finance costs		(4,192)
Investment income		752
Share of results of associates		1,044
Share of results of jointly controlled entities		<u>682</u>
Profit before taxation		<u><u>17,681</u></u>

Results and Appropriations

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 31.

The Directors recommend the payment of a final dividend of HK2 cents per share (2000: NIL). The final dividend is payable on 30th July, 2002 to those shareholders whose names appear on the Register of Members of the Company on Wednesday, 5th June, 2002.

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 79 to 80.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 29 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 15 to the financial statements.

Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities

Particulars regarding the principal subsidiaries, associates and jointly controlled entities of the Company are set out in notes 17, 19 and 20, respectively to the financial statements.

Liquidity

As at 31st December, 2001, the Group had bank balances and cash of US\$18.4 million (2000: US\$16.5 million) and total borrowings of US\$57 million (2000: US\$64.1 million). This represented a gearing ratio, calculated on the basis of the Group's total borrowings over shareholders' funds, of 0.98 (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\$18.4 million) over shareholders' fund, of 0.67 (2000: 0.99). The decrease in total borrowings was largely attributable to the decrease in accounts receivable by US\$23.7 million, thereby reducing the working capital financing requirements. The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 7.73 times in 2001, compared to 4.67 times in 2000.

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 Indonesian Rupiah. The majority of the Group's borrowings, approximately 91.4 per cent of the total as at 31st December, 2001 was in US\$ with the balance mainly in RMB. This policy adheres to the Group's principle to match its revenue stream with borrowings in same currency 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 five years with US\$48.1 million repayable within one year and US\$8.9 million within two to five 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 30 to the financial statements. No interest was capitalised by the Group during the year.

Capital Expenditure

To capture a larger market share and maintain its competitiveness and product quality, the Group incurred a total of US\$5.7 million in capital expenditure during the year, which was largely used in the purchase of property, plant and equipment for the expansion of the production capacity and replacement of the existing assets.

Acquisitions

During 2001, the Group invested a total of US\$17.3 million to acquire 40 per cent equity interest of Shunde Shun An Da Pacific Container Co., Ltd. (a dry freight container manufacturing factory in Shunde, PRC), 25 per cent shareholding of Singamas Falcon Logistics Co., Ltd. (a container depot in Bangkok, Thailand) ("Singamas Falcon"), 6.83 per cent shareholding of Xiamen Superchain Logistics Development Co., Ltd. (a container logistics company in Xiamen, PRC) ("Xiamen Superchain"), 40 per cent equity interest of Shunde Leliu Wharf & Container Co., Ltd. (a container terminal in Shunde, PRC) and 55 per cent equity interest of Tianjin Pacific Container Co., Ltd. (a dry freight container manufacturing factory in Tianjin, PRC). These investments were approved by the Directors and were financed internally and by bank borrowings on a medium term committed basis.

Singamas Falcon is an investment that the Company has entered into with PIL, Eastern Maritime (Thailand) Limited and a third party on 12th February, 2001. Since PIL is a substantial shareholder of the Company and Messrs. Chang Yun Chung and Teo Siong Seng, directors of the Company, have beneficial interests in Eastern Maritime (Thailand) Limited, this investment is considered as a connected transaction in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

On 8th September, 2001, the Company entered into a shareholders agreement with Xiamen Xiangyu Group Corporation and three other third parties to form Xiamen Superchain. Xiamen Xiangyu Group Corporation is the substantial shareholder of the Company's subsidiary, Xiamen Xiangyu Singamas Container Co., Ltd.; therefore, Xiamen Xiangyu Group Corporation is the connected person under the Listing Rules and the entering into the shareholders agreement constitutes a connected transaction.

Details of these two connected transactions have been disclosed by way of a press notice in compliance with the Listing Rules.

Charges on Assets

As at 31st December, 2001, certain assets of the Group with aggregate carrying value of US\$13,744,000 (2000: US\$14,073,000) were pledged as securities for credit facilities granted by banks to subsidiaries in Indonesia and the PRC, and the shareholdings of the Company in an associate and two jointly controlled entities were pledged as securities for loan facilities granted to the Company. The Group's share of net assets and the Company's costs of the associate and two jointly controlled entities were US\$15,695,000 and US\$14,000,000 respectively.

Contingent Liabilities

During 2001, the Company provided guarantees to banks as securities for finance lease and bank facilities granted to certain subsidiaries, an associate and a jointly controlled entity in Indonesia and the PRC. As at 31st December, 2001, total amount of lease and bank facilities, of which guarantees were provided, utilised by the associate and the jointly controlled entity was US\$9,856,000. In addition, at the year end date, performance bonds issued by a subsidiary in the PRC were outstanding at US\$1,208,000.

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 27 to the financial statements.

Directors

The Directors during the year and up to the date of this Annual Report are:

Mr. Chang Yun Chung	<i>(also known as Mr. Teo Woon Tiong)</i>
Mr. Teo Siong Seng	
Mr. Hsueh Chao En	
Mr. Teo Tiou Seng	
Mr. Kuan Kim Kin [#]	
Mr. Ong Ka Thai [*]	
Mr. Ping Kim [*]	<i>(resigned on 20th November, 2001)</i>
Mr. Soh Kim Soon [*]	<i>(appointed on 20th November, 2001)</i>

^{*} *Independent Non-Executive Director*

[#] *Non-Executive Director*

In accordance with Articles 92, 93 and 98 of the Company's Articles of Association, Messrs. Teo Tiou Seng, Kuan Kim Kin and Soh Kim Soon 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 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, 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:

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	10,234,000	–	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 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 55.75 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, 2001 are listed below:

Name	Date of Grant	Exercise Price (HK\$)	Number of Share Options
			as at 31st December, 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
			<u>3,400,000</u>

Options granted shall not be exercised until the expiry of six months after the date of grant and in any event such period shall not exceed a period of 10 years from the date of grant. The exercise price is determined by the Board and shall be the price being not less than 80 per cent of the average closing prices of the Company's ordinary shares traded on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant.

Further details of the Share Option Scheme of the Company are set out in note 28 to the financial statements.

Directors' Interests (continued)

Other than those disclosed in note 37 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, 2001.

Corporate Governance

Throughout the year ended 31st December, 2001 the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The term of office of each non-executive director and independent non-executive director of the Company is the period up to his retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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.

Report of the Directors

(continued)

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	12.1
Percentage of purchases attributable to the Group's five largest suppliers	40.4
Percentage of sales attributable to the Group's largest customer	13.1
Percentage of sales attributable to the Group's five largest customers	41.8

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 10 to the financial statements.

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 12 to 14 under the Directors and Senior Management Profile section of this Annual Report.

Remuneration Policies and Employee Relations

As at 31st December, 2001, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 2,749 (2000: 2,622) full-time employees. Staff costs (including directors' emoluments) amounted to US\$14.8 million (2000: US\$14.5 million) for the year. All full-time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus. Factory workers are being remunerated based on a basic wage plus production incentive. The Group ensures that the pay levels of its employees are competitive and employees are 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.

Remuneration Policies and Employee Relations (continued)

Other than the subsidiaries in the PRC, neither the Company nor any of its other subsidiaries has established a 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.

The Company has adopted a Share Option Scheme for employees, details of which are set out in note 28 to the financial statements.

Events after the Balance Sheet Date

Details of significant events after the balance sheet date are set out in note 38 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, 2nd April, 2002