1. General

The Company is a listed public limited company incorporated in Hong Kong. Its ultimate holding company is Pacific International Lines (Private) Limited ("PIL"), a company incorporated in the Republic of Singapore. The Group is principally engaged in the businesses of container manufacturing, container depot/terminal and mid-stream operations.

The financial statements are presented in United States dollars ("US$"), the currency in which the majority of the Group's transactions are denominated.

2. Change in Accounting Policies

In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants for the first time. Adoption of these Standards has led to a number of changes in the Group's accounting policies as set out below, which have had no material effect on amounts reported in prior years. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

(i) In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements.

(ii) In adopting SSAP 30 "Business Combinations", the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions of subsidiaries, associates and jointly controlled entities 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, associate or jointly controlled entity or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions of subsidiaries, associates and jointly controlled entities prior to 1st January, 2001 will be credited to the income statement at the time of disposal of relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions on or after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or 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.

3. Significant Accounting Policies

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

(a) Consolidation

The Group financial statements include the financial statements of the Company and its subsidiaries made up to 31st December. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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.

The Group financial statements also include the Group's share of post acquisition profits less losses, and reserves, of its associates and jointly controlled entities.

(b) 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 balance sheet at cost, less any identified impairment loss.

(c) Interests in associates

An associate is an enterprise in which the Group is in a position to exercise significant influence in its management, including participation in financial and operating policy decisions.

The Group's investments in associates are included in the consolidated balance sheet at the Group's share of net assets of the associates less any identified impairment loss, and the Group's share of the results of associates are included in the consolidated income statement. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

3. Significant Accounting Policies (continued)

(d) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(e) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

As subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

3. Significant Accounting Policies (continued)

(f) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions on or after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions 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, associate or jointly controlled entity or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

(g) Negative Goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate and jointly controlled entity at the date of acquisition over the cost of acquisition. Negative goodwill arising on acquisitions on or after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying amount of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

(h) Revenue recognition

Revenue from container manufacturing operations is recognised at the earlier of the containers being delivered to customers or acceptance notes being issued by customers.

3. Significant Accounting Policies (continued)

(h) Revenue recognition (continued)

Revenue from container depot/terminal and mid-stream operations is recognised when the services are rendered.

Interest income is recognised on accruals basis.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses. The cost of an asset comprises its purchase cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset. Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives, after taking into account estimated residual values. The estimated useful lives and residual values are as follows:

	Estimated useful life	Estimated residual value
Land use rights outside Hong Kong	over the lease period	Nil
– on medium term lease	of 20 to 50 years	
Building and site improvement outside Hong Kong		
– on medium term lease	20 years	Nil to 10 per cent
– on short lease	5 years	Nil
Land, buildings and site improvements in Hong Kong		
– on medium term lease	20 to 50 years	Nil
– on short lease	1 to 5 years	Nil
Plant and machinery	5 to 10 years	Nil to 10 per cent
Furniture, fittings and office equipment	5 to 10 years	Nil to 10 per cent
Motor vehicles	5 years	Nil to 10 per cent

Assets under construction are stated at cost which includes all construction costs and other direct costs, including borrowing costs capitalised, attributable to the assets under construction. They are not depreciated until the construction is completed and the assets are brought into use.

Assets under finance leases are depreciated using the straight line method over the shorter of the respective lease terms and their estimated useful lives.

3. Significant Accounting Policies (continued)

(i) Property, plant and equipment (continued)

The gain or loss arising on disposal of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the assets and is dealt with in the income statement.

(j) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. 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, calculated on the weighted average basis, comprises the cost of materials, and where applicable, direct labour, and an appropriate portion of production overhead expenditure and all other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less estimated cost of completion and selling expenses.

(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 cost and are amortised on a straight-line basis over their estimated useful lives of 10 years.

3. Significant Accounting Policies (continued)

(m) Assets under leases

i. Finance leases

Leases that transfer to the Group substantially all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the assets is recorded together with the obligation, excluding the interest element, to pay future rentals. Finance charges are accounted for in the income statement in proportion to the capital balances outstanding.

ii. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease term.

(n) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

(o) Currencies other than United States dollars

Transactions in currencies other than US$ are translated into US$ at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities expressed in currencies other than US$ at the balance sheet date are translated into US$ at the rates of exchange ruling on the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities expressed in currencies other than US$ are translated into US$ at the rates of exchange ruling on the balance sheet date for balance sheet items and at monthly average rates for the income and expenditure items. Exchange differences arising on consolidation, if any, are dealt with in reserves.

3. Significant Accounting Policies (continued)

(p) Retirement benefit costs

In respect of the subsidiaries in the People's Republic of China other than Hong Kong (the "PRC"), the Group contributes to a State-sponsored retirement benefit scheme operated by the PRC government.

Prior to 1st 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, are charged to the income statement as incurred.

With effective from 1st December, 2000, the Group operates Mandatory Provident Fund ("MPF") schemes and contributes to the MPF schemes which are available to all employees of Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Contribution payable by the Group to the MPF schemes are charged to the income statement.

Retirement benefits are provided for all local permanent employees of a subsidiary in Republic of Indonesia ("Indonesia") based on the decree of the Minister of Manpower No. Kep-150/Men/2000 concerning the settlement of labour dismissal and the stipulation of severance pay, gratuity and compensation in companies. Retirement benefits provided in the year are charged to the income statement.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

4. Turnover

Turnover represents sales from container manufacturing, container depot/terminal and mid-stream operations, less returns and allowances, and is analysed as follows:

	2001 US$'000	2000 US$'000
Container manufacturing	133,367	148,540
Container depot/terminal	25,781	21,856
Mid-stream	12,814	9,324
	171,962	179,720

5. Business and Geographical Segments

Business segments

The Group is currently organised into three operating divisions – container manufacturing, container depot/terminal and mid-stream. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Container manufacturing	–	manufacture of marine dry freight containers, refrigerated containers, collapsible flatrack containers, bitutainer containers, other specialised containers and container parts.
Container depot/terminal	–	provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services.
Mid-stream	–	provision of mid-stream services.

5. Business and Geographical Segments (continued)

Segment information about these businesses is presented below.

2001

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
TURNOVER					
External sales	133,367	25,781	12,814	–	171,962
Inter-segment sales	–	1,991	–	(1,991)	–
Total	133,367	27,772	12,814	(1,991)	171,962

Inter-segment sales are charged at prevailing market prices.

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
PROFIT FROM OPERATIONS	13,109	4,352	1,934		19,395
Finance costs					(4,192)
Investment income					752
Share of results of associates	389	655	–		1,044
Share of results of jointly controlled entities	632	50	–		682
Profit before taxation					17,681
Taxation					(1,798)
Profit after taxation					15,883

Other Information

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
Capital expenditure	2,234	3,453	46	5,733
Depreciation and amortisation	3,628	1,835	20	5,483
BALANCE SHEET				
ASSETS				
Segment assets	133,656	31,211	2,798	167,665
Interests in associates	7,478	2,806	–	10,284
Interests in jointly controlled entities	8,670	657	–	9,327
Consolidated total assets				187,276
LIABILITIES				
Segment liabilities	30,712	7,579	1,927	40,218
Unallocated liabilities				67,125
Consolidated total liabilities				107,343

5. Business and Geographical Segments (continued)

2000

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
TURNOVER					
External sales	148,540	21,856	9,324	–	179,720
Inter-segment sales	–	1,857	2	(1,859)	–
Total	148,540	23,713	9,326	(1,859)	179,720

Inter-segment sales are charged at prevailing market prices.

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
PROFIT FROM OPERATIONS	8,351	2,965	1,674		12,990
Finance costs					(4,557)
Investment income					413
Share of results of associates	976	457	–		1,433
Profit before taxation					10,279
Taxation					(1,397)
Profit after taxation					8,882

Other Information

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
Capital expenditure	7,000	2,090	37	9,127
Depreciation and amortisation	3,079	1,844	26	4,949
BALANCE SHEET				
ASSETS				
Segment assets	141,835	26,912	3,732	172,479
Interests in associates	7,949	2,369	–	10,318
Consolidated total assets				182,797
LIABILITIES				
Segment liabilities	35,343	4,586	2,083	42,012
Unallocated liabilities				74,205
Consolidated total liabilities				116,217

5. Business and Geographical Segments (continued)

Geographical segments

The Group's operations are located in Hong Kong, the PRC, Indonesia and Thailand. The Group's container manufacturing division is located in the PRC and Indonesia. Container depot/terminal division is located in Hong Kong, the PRC and Thailand. Mid-stream services are carried out in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Turnover		Contribution to profit from operations	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
United States	66,773	46,562	7,231	2,643
Hong Kong	31,983	40,459	4,174	3,484
PRC (other than Hong Kong and Taiwan)	31,416	31,829	4,410	3,914
Europe	20,111	34,057	1,478	1,276
Others	21,679	26,813	2,102	1,673
	171,962	179,720	19,395	12,990

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
PRC (other than Hong Kong and Taiwan)	152,064	148,611	5,340	7,297
Hong Kong	20,998	17,271	253	570
Others	14,214	16,915	140	1,260
	187,276	182,797	5,733	9,127

6. Profit from Operations

Profit from operations has been arrived at after charging the following:

	2001 US$'000	2000 US$'000
Auditors' remuneration	300	256
Staff costs, including directors' emoluments		
– Salaries and other benefits	13,401	13,199
– Retirement benefit costs *(note 10)*	1,368	1,273
	14,769	14,472
Depreciation and amortisation		
Depreciation		
– Owned property, plant and equipment	4,758	3,957
– Assets held under finance leases	295	831
Amortisation		
– Patents	254	13
– Other assets	176	148
	5,483	4,949
Operating lease charges		
– Land and buildings	3,848	3,068
– Plant and machinery	650	618
	4,498	3,686
Loss on disposal of property, plant and equipment	1,264	45
Net exchange loss	32	35

7. Finance Costs

	2001 US$'000	2000 US$'000
Interest on		
– Bank loans and overdrafts not wholly repayable within five years	–	11
– Bank loans and overdrafts wholly repayable within five years	3,779	4,096
– Finance leases	70	158
Bank charges and commissions	343	292
	4,192	4,557

8. Investment Income

	2001 US$'000	2000 US$'000
Interest earned on bank deposits	752	413

9. Directors' and Five Highest Paid Individuals' Emoluments

	2001 US$'000	2000 US$'000
Directors' emoluments		
Fees:		
Executive	77	77
Non-executive	19	19
Independent non-executive	38	38
	134	134
Other emoluments:		
Executive:		
Salaries and other benefits	489	482
Retirement benefit costs	13	9
	502	491
	636	625

The directors' emoluments were within the following bands:

	2001 Number of directors	2000 Number of directors
Nil – US$128,206 (Nil – HK$1,000,000)	5	5
US$192,309 – US$256,412 (HK$1,500,001 – HK$2,000,000)	1	1
US$256,413 – US$320,515 (HK$2,000,001 – HK$2,500,000)	1	1

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for the loss of office. None of the directors has waived any emoluments during the year.

9. Directors' and Five Highest Paid Individuals' Emoluments (continued)

The above analysis includes 2 (2000: 2) individuals whose emoluments were among the five highest in the Group. Details of the aggregate emoluments paid to the remaining 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:–

	2001 US$'000	2000 US$'000
Salaries and other benefits	305	361
Retirement benefit costs	13	8
	318	369

Their emoluments were within the following bands:

	2001 Number of individuals	2000 Number of individuals
Nil – US$128,206 (Nil – HK$1,000,000)	3	2
US$128,207 – US$192,309 (HK$1,000,001 – HK$1,500,000)	–	1

Details of the Share Option Scheme are set out in note 28. No options under the scheme were exercised during the year.

10. Retirement Benefit Costs

Prior to 1st December, 2000, the Group operated defined contribution retirement schemes for certain employees in Hong Kong. The assets of the schemes were held separately and managed by independent trustees. Under the rules of the schemes, the employer and its employees were each required to make contributions to the schemes at rates specified in the rules. These schemes were registered under the Occupational Retirement Scheme Ordinance. Any amount unvested upon an employee ceasing to be a member shall be used to offset subsequent employer's contributions.

With effect from 1st December, 2000, the Group has joined MPF schemes for all employees in Hong Kong. The MPF schemes are registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF schemes are held separately from those of the Group in funds under the control of an independent trustee.

Under the rules of the MPF scheme, the employer and its employees are each required to make contributions to the schemes 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 a State-sponsored retirement benefit scheme operated by the government in the PRC. Subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit scheme. 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 decree of the Minister of Manpower No. Kep-150/Men/2000 concerning the settlement of labour dismissal and the stipulation of severance pay, gratuity and compensation in companies. No funding of benefits has been made to date.

The retirement benefit costs charged to the income statement representing contributions payable by the Group to the MPF schemes operated in Hong Kong, the retirement benefit scheme in the PRC and the retirement benefits provided for the employees of a subsidiary in Indonesia amounted to US$1,368,000 (2000: US$1,273,000). Contributions totaling US$221,000 (2000: US$108,000) were payable to the retirement schemes at the year-end and retirement benefit provision made for the local employees in Indonesia totaling US$50,000 (2000: Nil) are included in accruals and other payables.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of US$2,000 (2000: US$6,000) were used to reduce the current year's contributions. At the balance sheet date, 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.

11. Taxation

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

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

	2001 US$'000	2000 US$'000
Current tax:		
Hong Kong profits tax	238	71
Overseas taxation	1,265	1,213
	1,503	1,284
Taxation attributable to the Company and its subsidiaries	1,503	1,284
Share of taxation attributable to associates	229	113
Share of taxation attributable to jointly controlled entities	66	–
	1,798	1,397

Deferred tax charges/(credits) for the year have not been provided in respect of the following:

	2001 US$'000	2000 US$'000
Accelerated depreciation allowances	16	(183)
Tax losses	470	355
	486	172

12. Net Profit for the Year

Net profit for the year is dealt with in the financial statements of the Company to the extent of a profit of US$1,307,000 (2000: US$563,000).

13. Dividend

The final dividend of HK2 cents (2000: Nil) per share, totalling US$1,169,000, has been proposed by the directors of the Company based on shares in issue and is subject to approval by the shareholders in general meeting.

14. Earnings Per Share – Basic and Diluted

The calculation of earnings per share is based on the net profit for the year of US$10,313,000 (2000: US$6,082,000) and 456,001,760 ordinary shares (2000: 456,001,760 ordinary shares) in issue throughout the year. The computation of diluted earnings per share has not assumed the exercise of the Company's outstanding share options as their exercise prices were higher than the average market price of shares for both 2001 and 2000.

15. Property, Plant and Equipment

	Assets under construction US$'000	Land and buildings US$'000	Plant and machinery US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Group						
Cost						
At 1st January, 2001	3,473	32,831	30,590	6,295	3,930	77,119
Additions	2,673	1,351	1,257	192	260	5,733
Disposals	(3)	(789)	(1,862)	(199)	(370)	(3,223)
Transfer from assets under construction	(6,067)	860	4,744	237	226	–
Translation differences	–	2	1	1	–	4
At 31st December, 2001	76	34,255	34,730	6,526	4,046	79,633
Accumulated depreciation						
At 1st January, 2001	–	8,345	14,128	4,852	2,864	30,189
Charge for the year	–	1,461	2,972	352	268	5,053
Eliminated on disposals	–	(136)	(865)	(175)	(325)	(1,501)
Translation differences	–	–	1	–	–	1
At 31st December, 2001	–	9,670	16,236	5,029	2,807	33,742
Net book value						
At 31st December, 2001	**76**	**24,585**	**18,494**	**1,497**	**1,239**	**45,891**
At 31st December, 2000	3,473	24,486	16,462	1,443	1,066	46,930

The net book value of plant and machinery held under finance leases amounted to US$1,422,000 (2000: US$3,375,000).

15. Property, Plant and Equipment (continued)

The net book value of land and buildings is analysed as follows:

	Land use rights US$'000	Land and buildings US$'000	Site improvements US$'000	Total US$'000
Group				
At 31st December, 2001				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	70	70
On medium term lease (10 to 50 years)	–	77	–	77
Held outside Hong Kong				
On medium term lease (10 to 50 years)	3,283	6,598	14,557	24,438
	3,283	6,675	14,627	24,585
At 31st December, 2000				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	109	109
On medium term lease (10 to 50 years)	–	79	–	79
Held outside Hong Kong				
On medium term lease (10 to 50 years)	2,148	6,828	15,322	24,298
	2,148	6,907	15,431	24,486

Land and buildings held outside Hong Kong with an aggregate net book value of US$13,744,000 as at 31st December, 2001 (2000: US$14,073,000) were pledged as security for loan facilities granted by banks to subsidiaries in Indonesia and the PRC. The amount of facilities utilised as at 31st December, 2001 was US$6,357,000 (2000: US$9,911,000).

15. Property, Plant and Equipment (continued)

	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Company			
Cost			
At 1st January, 2001	968	44	1,012
Additions	16	–	16
Disposals	(4)	–	(4)
At 31st December, 2001	980	44	1,024
Accumulated depreciation			
At 1st January, 2001	871	14	885
Charge for the year	42	8	50
Eliminated on disposals	(4)	–	(4)
At 31st December, 2001	909	22	931
Net book value			
At 31st December, 2001	**71**	**22**	**93**
At 31st December, 2000	97	30	127

16. Patents

Group

	US$'000
Cost	
At 1st January, 2001	3,031
Additions	–
At 31st December, 2001	3,031
Amortisation	
At 1st January, 2001	(1,044)
Charge for the year	(254)
At 31st December, 2001	(1,298)
Net book value	
At 31st December, 2001	**1,733**
At 31st December, 2000	1,987

17. Interests in Subsidiaries

	Company	
	2001	2000
	US$'000	US$'000
Unlisted shares and investments, at cost	31,971	31,971

17. Interests in Subsidiaries (continued)

Particulars of principal subsidiaries as at 31st December, 2001 are set out below:–

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Abacus International Finance Ltd.*	British Virgin Islands	100%	US$1,000	Provision of financial services and marketing of dry freight and specialised containers in the PRC
DY Terminal Ltd.	Hong Kong	100%	Ordinary HK$1,000,000	Provision of container storage and repair services
Eng Kong Container & Warehousing Ltd.	Hong Kong	73.3%	Ordinary HK$300,000	Investment holding
Eng Kong Container Services Ltd.	Hong Kong	73.3%	Ordinary HK$3,000,000	Provision of container storage, drayage and repair services
P.T. Java Pacific Container Factory	Indonesia	72%	US$10,000,000	Manufacturing of dry freight and specialised containers
Shandong International Singamas Container Co., Ltd.#	PRC	60%	US$2,000,000	Provision of container storage and repair services
Shanghai Pacific International Container Co., Ltd.*#	PRC	60%	US$18,000,000	Manufacturing of dry freight containers

17. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Shanghai Reeferco Container Co., Ltd.#	PRC	52.4%	US$22,000,000	Manufacturing of refrigerated containers
Shanghai Singamas Container Transportation Co., Ltd.#	PRC	60%	US$9,000,000	Provision of container storage and repair services
Singamas Container Holdings Ltd.*	Bahamas	100%	US$7,200,000	Investment holding and marketing of dry freight and specialised containers in Indonesia
Singamas Container Industry Co., Ltd.*#	PRC	75%	US$5,100,000	Manufacturing of collapsible flatrack and specialised containers
Singamas Management Services Ltd.*	British Virgin Islands	100%	US$1,000	Provision of management services and marketing of dry freight and specialised containers in the PRC
Singamas Refrigerated Container Ltd.*	British Virgin Islands	59.2% 51%	Ordinary US$100,000 Redeemable preferred US$19,400,000	Investment holding

17. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Singamas Terminals (China) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding and marketing of container storage and repair services in the PRC
Singamas Terminals Holdings Ltd.*	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (HK) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (Hong Kong) Ltd.	Hong Kong	100%	Ordinary HK$5,000,000	Provision of mid-stream services
Singamas Warehouse (Shanghai) Co., Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Tianjin Singamas Container Co., Ltd.#	PRC	60%	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%	US$10,000	Investment holding
Xiamen Xiangyu Singamas Container Co., Ltd.#	PRC	51%	US$3,000,000	Provision of container storage, repair and trucking services, and serving as a freight station
Yixing Singamas Metal Products Co., Ltd.*#	PRC	95%	US$200,000	Manufacturing of container parts

* *Subsidiaries held directly by the Company.*
\# *Equity joint venture*

17. Interests in Subsidiaries (continued)

Unless otherwise stated, the principal place of operation of each subsidiary is the same as the place of incorporation/registration stated above.

The above list gives the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group.

Other than disclosed above, none of the subsidiaries had any debt capital outstanding at the end of the year.

18. Amounts Due from/to Subsidiaries

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Included in the amounts due from subsidiaries is an amount of approximately US$15,325,000 (2000: US$7,312,000) which bears interest at a spread of no more than 0.25 per cent per annum over the cost of funds of the Company. The amounts due to subsidiaries and the remaining portion of amounts due from subsidiaries are interest free.

19. Interests in Associates

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Unlisted shares and investments, at cost	–	–	8,166	6,800
Share of net assets	10,284	10,318	–	–
	10,284	10,318	8,166	6,800

19. Interests in Associates (continued)

Particulars of principal associates as at 31st December, 2001 are set out below:–

Name	Form of business structure	Place of incorporation/ registration and operation	Group equity interest	Proportion of voting power held	Principal activities
Ningbo Victory Container Co., Ltd.#	Incorporated	PRC	40%	40%	Provision of container storage and repair services
Shunde Shun An Da Pacific Container Co., Ltd.*#@	Incorporated	PRC	40%	42.9%	Manufacturing of dry freight and specialised containers
Shunde Lelin Wharf & Container Co., Ltd.*#	Incorporated	PRC	40%	40%	Provision of container terminal services
Singamas Falcon Logistics Co., Ltd.*	Incorporated	Thailand	25%	25%	Provision of container storage and repair services

* *Held directly by the Company.*

\# *Equity joint venture*

@ *The shareholding in this company was pledged as security for credit facilities granted to the Company. The Group's share of net assets and the Company's cost are US$7,478,000 and US$7,200,000 respectively.*

The above list gives the associates of the Group which, in the opinion of the directors, principally affected the results or form a substantial portion of the net assets of the Group.

20. Interests in Joint Ventures

	Group		Company	
	2001	2000	2001	2000
	US$'000	US$'000	US$'000	US$'000
Jointly controlled entities				
Unlisted shares and investments, at cost	–	–	7,910	–
Share of net assets of jointly controlled entities	7,968	–	–	–
Premium on acquisition of joint venture	1,359	–	–	–
	9,327	–	7,910	–

The premium on acquisition of joint venture is amortised over its estimated useful life of 5 years.

Particulars of principal jointly controlled entities which are incorporated in the PRC, as at 31st December, 2001 are set out below:–

Name	Group equity interest	Proportion of voting power held	Principal activities
Dalian Singamas International Container Co., Ltd.#@	30%	22.2%	Provision of container storage and repair services
Tianjin Pacific Container Co., Ltd.*#	55%	57.1%	Manufacturing of dry freight and specialised containers
Xiamen Pacific Container Manufacturing Co., Ltd.*#@	40%	42.9%	Manufacturing of dry freight and specialised containers

* *Held directly by the Company.*

\# *Equity joint venture*

@ *The shareholdings in these companies were pledged as security for credit facilities granted to the Company. The Group's share of net assets and the Company's costs are US$8,217,000 and US$6,800,000 respectively.*

The above list gives the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or form a substantial portion of the net assets of the Group.

21. Investment in Securities

Group and Company

Non-current investment

	2001 US$'000	2000 US$'000
Unlisted equity securities	611	–

22. Other Assets

	Group	
	2001 US$'000	2000 US$'000
At 1st January	904	939
Amount capitalised	125	113
Amount amortised	(176)	(148)
At 31st December	853	904

23. Inventories

	Group	
	2001 US$'000	2000 US$'000
Raw materials	21,357	19,806
Work in progress	2,460	2,063
Finished goods	26,019	17,986
	49,836	39,855

As at 31st December, 2001, no raw materials and finished goods were carried at net realisable value (2000: US$250,000). The cost of inventories recognised as an expense during the year was 136,710,000 (2000: US$153,968,000).

24. 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 general credit term ranges from 30 days to 120 days. The aging analysis of accounts receivable at 31st December, 2001 is as follows:

	Group	
	2001	2000
	US$'000	US$'000
0 to 30 days	6,932	19,286
31 to 60 days	4,200	8,873
61 to 90 days	6,901	7,219
91 to 120 days	4,750	6,722
Over 120 days	6,232	10,608
	29,015	52,708

25. Accounts Payable

The aging analysis of accounts payable is as follows:

	Group	
	2001	2000
	US$'000	US$'000
0 to 30 days	5,914	11,651
31 to 60 days	3,577	4,667
61 to 90 days	3,172	3,609
91 to 120 days	1,174	2,405
Over 120 days	2,476	2,461
	16,313	24,793

26. Amount Due from a Related Company

The amount due from a related company of the Group represents a trade receivable balance from Pacific International Lines (HK) Limited ("PIL (HK)"), a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests. The balance is subject to normal credit terms. During the year, the maximum outstanding balance due to the Group from PIL (HK) was US$1,625,000 (2000: US$1,572,000).

27. Share Capital

	Number of shares					
	2001	2000	2001 US$'000	2001 HK$'000	2000 US$'000	2000 HK$'000
Authorised:						
Ordinary shares of HK$0.10 each	750,000,000	750,000,000	9,637	75,000	9,637	75,000
Issued and fully paid:						
Ordinary shares of HK$0.10 each	456,001,760	456,001,760	5,854	45,600	5,854	45,600

There were no changes in the share capital during the two years ended 31st December, 2001 and 2000.

28. Share Option Scheme

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 for the primary purpose of providing incentives to eligible employees, subject to a maximum of 10 per cent 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:

Date of Grant	Exercise Price (HK$)	Number of Share Options as at 31st December, 2001 & 2000
8th October, 1994	1.908	1,900,000
15th May, 1995	1.440	1,500,000
		3,400,000

29. Reserves

Group	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Accumulated profits/ (losses) 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 1st January, 2001						
– 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	–	3	–	–	–	3
– Associates	–	24	–	–	–	24
Net profit for the year	–	–	–	–	10,313	10,313
Adjustment for negative goodwill arising on acquisition of additional interest in an associate in last year	–	–	–	–	(236)	(236)
Transfer from accumulated profits	–	–	317	179	(496)	–
At 31st December, 2001	**38,522**	**304**	**1,433**	**1,172**	**10,634**	**52,065**
Attributable to:						
– The Company and subsidiaries	38,522	246	1,217	1,041	9,239	50,265
– Associates	–	58	105	20	800	983
– Jointly controlled entities	–	–	111	111	595	817
	38,522	304	1,433	1,172	10,634	52,065

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

As at 31st December, 2001, goodwill/negative goodwill totaling of US$9,903,000 (2000: US$9,667,000) was directly eliminated against/credited to accumulated profits.

29. Reserves (continued)

Company	Share premium US$'000	Accumulated profits US$'000	Total US$'000
At 1st January, 2000	38,522	9,777	48,299
Net profit for the year	–	563	563
At 1st January, 2001	38,522	10,340	48,862
Net profit for the year	–	1,307	1,307
At 31st December, 2001	**38,522**	**11,647**	**50,169**

Distributable reserves of the Company at 31st December, 2001, calculated under section 79B of the Companies Ordinance, amounted to US$11,647,000 (2000: US$10,340,000).

30. Bank Borrowings

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Bank borrowings comprise the following:				
Bank loans				
Secured				
– due within 1 year	7,477	12,891	3,120	3,100
– due more than 1 year, but not exceeding 2 years	4,520	1,320	2,520	1,200
– due more than 2 years, but not exceeding 5 years	960	600	960	600
	12,957	14,811	6,600	4,900
Unsecured				
– due within 1 year	35,072	35,581	13,200	12,747
– due more than 1 year, but not exceeding 2 years	1,530	1,480	–	–
– due more than 2 years, but not exceeding 5 years	1,900	3,080	–	–
– due more than 5 years	–	600	–	–
	38,502	40,741	13,200	12,747
Less: Amount shown under current liabilities	(42,549)	(48,472)	(16,320)	(15,847)
Amount due after one year	8,910	7,080	3,480	1,800

31. Obligations under Finance Leases

Group

	Minimum lease payments		Present value of minimum lease payments	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
The maturity of obligations under finance leases are as follows:				
– within 1 year	515	933	487	863
– more than 1 year, but not exceeding 2 years	7	516	6	487
– more than 2 years, but not exceeding 5 years	–	7	–	6
	522	1,456	493	1,356
Less: future finance charges	(29)	(100)	N/A	N/A
Present value of finance leases obligations	493	1,356	493	1,356
Less: Amount shown under current liabilities			(487)	(863)
Amount due after one year			6	493

Company

	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
The maturity of obligations under finance leases are as follows:				
– within 1 year	60	82	59	74
– more than 1 year, but not exceeding 2 years	–	60	–	59
	60	142	59	133
Less: future finance charges	(1)	(9)	N/A	N/A
Present value of finance leases obligations	59	133	59	133
Less: Amount shown under current liabilities			(59)	(74)
Amount due after one year			–	59

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 years. For the year ended 31st December, 2001, the average effective borrowing rate was 7.6%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

32. Deferred Tax

At the balance sheet date, the major components of potential deferred tax assets/(liabilities) not accounted for in the financial statements were as follows:

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Accelerated depreciation allowances	46	62	2	(2)
Tax losses	1,116	1,586	1,057	925
	1,162	1,648	1,059	923

The deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

33. Contingent Liabilities

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Guarantees for lease and bank facilities utilised by subsidiaries	–	–	7,413	11,946
Guarantees for bank facilities utilised by an associate	4,940	2,416	4,940	2,416
Guarantees for bank facilities utilised by a jointly controlled entity	4,916	–	4,916	–
Performance bonds	1,208	1,208	–	–
	11,064	3,624	17,269	14,362

34. Capital Commitments

	Group	
	2001	2000
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided	17	524
Capital expenditure in respect of business acquisition contracted but not provided	7,400	–
	7,417	524

35. Operating Lease Commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2001	2000	2001	2000
	US$'000	US$'000	US$'000	US$'000
Land and buildings				
– in the 1st year	3,135	1,738	83	103
– in the 2nd to 5th years inclusive	5,080	2,216	–	82
– after five years	7,045	5,958	–	–
	15,260	9,912	83	185
Other equipment – in the 1st year	–	94	–	–
	15,260	10,006	83	185

Operating lease payments represent rentals payable by the Group for certain of its container depot sites and machinery and equipment. Leases are negotiated for an average period of 3 to 30 years and rentals are fixed for an average of 2 to 3 years.

36. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001 US$'000	2000 US$'000
Profit before taxation	17,681	10,279
Depreciation	5,053	4,788
Loss on disposal of property, plant and equipment	1,264	45
Profit on deemed disposal of interest in a subsidiary	–	(726)
Share of results of associates	(1,044)	(1,433)
Share of results of jointly controlled entities	(682)	–
Amortisation of patents	254	13
Amortisation of other deferred expenses	176	148
Increase in inventories	(9,981)	(8,103)
Decrease/(Increase) in accounts receivable	23,693	(18,367)
(Increase)/Decrease in prepayments and other receivables	(6,868)	1,173
(Increase)/Decrease in amount due from ultimate holding company	(47)	729
Decrease/(Increase) in amounts due from fellow subsidiaries	1	(125)
Decrease/(Increase) in amounts due from associates	1,177	(496)
Increase in amounts due from jointly controlled entities	(111)	–
Decrease in amounts due from related companies	119	622
Increase in amount due to ultimate holding company	71	479
Increase/(Decrease) in amounts due to associates	6	(1,003)
Increase in amounts due to jointly controlled entities	758	–
(Decrease)/Increase in accounts payable	(8,480)	5,109
Increase in accruals and other payables	4,741	8,379
(Decrease)/Increase in bills payable	(2,070)	2,094
Interest element of finance leases	70	158
Interest income	(752)	(413)
Interest expense	3,779	4,107
Net cash inflow from operating activities	28,808	7,457

36. Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of changes in financing during the year

	Share capital including premium US$'000	Bank borrowings (note i) US$'000	Obligations under finance leases US$'000	Minority interests US$'000	Total US$'000
Balance at 1st January, 2000	44,376	20,138	2,623	15,528 (note ii)	82,665
New bank loans	–	36,472	–	–	36,472
Repayment of bank loans	–	(28,997)	–	–	(28,997)
Inception of finance leases	–	–	623	–	623
Repayment of finance leases	–	–	(1,890)	–	(1,890)
Capital contributed by minority shareholders	–	–	–	2,539	2,539
Minority share of profit for the year	–	–	–	2,800	2,800
Dividends paid and payable	–	–	–	(1,377)	(1,377)
Decrease due to change in shareholding	–	–	–	(726)	(726)
Minority share of exchange translation reserve	–	–	–	1	1
Balance at 1st January, 2001	44,376	27,613	1,356	18,765	92,110
New bank loans	–	59,324	–	–	59,324
Repayment of bank loans	–	(52,371)	–	–	(52,371)
Repayment of finance leases	–	–	(863)	–	(863)
Minority share of profit for the year	–	–	–	5,570	5,570
Dividends paid and payable	–	–	–	(2,321)	(2,321)
Balance at 31st December, 2001	**44,376**	**34,566**	**493**	**22,014**	**101,449**

Notes:

i. Included in the bank borrowings, US$16,893,000 (2000: US$27,939,000) were repayable within three months from the date of advances.

ii. The redeemable preferred shares of approximately US$9,506,000, representing the redeemable preferred shares issued by a subsidiary of US$1.00 per share, were reclassified to accruals and other payables.

37. Related Party Transactions

During the year, the Group entered into the following significant transactions with related parties:

	2001 US$'000	2000 US$'000
Sales to ultimate holding company *(note a)*	158	130
Sales to fellow subsidiaries *(note a)*	1,474	1,024
Sales to a related company *(note a)*	7,420	6,577
Rental paid to a ultimate holding company *(note b)*	19	18

Notes:

(a) Sales to ultimate holding company, fellow subsidiaries 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 and suppliers of the Group. The fellow subsidiary is Pacific International Lines (China) Ltd., in which PIL has 100 per cent effective interest. The related company is PIL (HK), 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. under a tenancy agreement for a period of 2 years commencing 1st January, 2001 at a monthly rental of US$1,611. Rental rate was agreed with reference to market.

The balances with related parties are disclosed in the consolidated balance sheet and note 26. All such balances are subject to normal credit terms. The amount due from/to ultimate holding company is interest free and repayable on demand.

38. Events After the Balance Sheet Date

On 1st November, 2001, the Company entered into a share transfer agreement with a third party to acquire 40 per cent equity interest of a river container terminal in Shunde, PRC at a consideration of US$8,000,000. As at the balance sheet date, the Company has paid US$600,000 by its internal fund to this third party as part of its capital contribution. The remaining investment cost will be financed internally and by bank borrowings on a medium term committed basis. Subsequent to 31st December, 2001, the Company has fully paid up the remaining US$7,400,000 of this investment cost.