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. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants.

(i) SSAP 1 (Revised) "Presentation of Financial Statements" has introduced new format of presentation in reporting changes in equity. The presentation in the prior year's consolidated financial statements has been restated in order to achieve a consistent presentation.

(ii) SSAP 15 (Revised) "Cash Flow Statements" has changed the classifications of cash flows in the cash flow statement. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing, and financing, rather than the previous five headings. Interest received and dividends received are now classified as investing cash flows. Dividends paid is now classified as financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement. The presentation in the prior year's cash flow statement has been restated in order to achieve a consistent presentation.

(iii) SSAP 34 "Employee Benefits" has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits and specifies the disclosure requirement of the Group's retirement benefit scheme. The adoption of this new accounting standard has not resulted in any material effects on the financial statements in the prior years and accordingly, no prior period adjustment has been recognised.

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 post-acquisition results of associates is 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 plus the premium paid and less any discount on acquisition in so far as it has not already been amortised or released to income, 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.

At 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 cost 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 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 or 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. 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 their 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 of	
– on medium term lease	20 to 50 years	Nil
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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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.

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

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals 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:

	2002 US$'000	2001 US$'000
Container manufacturing	141,420	133,367
Container depot/terminal	23,593	25,781
Mid-stream	15,624	12,814
	180,637	171,962

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	–	manufacturing 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.

2002

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
TURNOVER					
External sales	141,420	23,593	15,624	–	180,637
Inter-segment sales	–	1,891	144	(2,035)	–
Total	141,420	25,484	15,768	(2,035)	180,637

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	8,866	3,356	2,646		14,868
Finance costs					(1,829)
Investment income					120
Share of results of associates	6,687	1,336	–		8,023
Share of results of jointly controlled entities	(321)	136	–		(185)
Profit before taxation					20,997
Taxation					(2,257)
Profit after taxation					18,740

OTHER INFORMATION

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
Capital expenditure	1,712	1,850	54	3,616
Depreciation and amortisation	3,728	1,992	23	5,743
BALANCE SHEET				
ASSETS				
Segment assets	141,128	19,839	3,472	164,439
Interests in associates	11,883	10,998	–	22,881
Interests in jointly controlled entities	8,494	7,208	–	15,702
Consolidated total assets				203,022
LIABILITIES				
Segment liabilities	45,687	6,275	1,988	53,950
Unallocated liabilities				58,481
Consolidated total liabilities				112,431

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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)

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 turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover	
	2002	2001
	US$'000	US$'000
United States	44,222	66,773
Europe	40,161	20,111
PRC (other than Hong Kong and Taiwan)	39,018	31,416
Hong Kong	32,968	31,983
Others	24,268	21,679
	180,637	171,962

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	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
PRC (other than Hong Kong and Taiwan)	170,284	152,064	2,875	5,340
Hong Kong	19,529	20,998	552	253
Others	13,209	14,214	189	140
	203,022	187,276	3,616	5,733

6. PROFIT FROM OPERATIONS

	2002 US$'000	2001 US$'000
Profit from operations has been arrived at after charging the following:		
Auditors' remuneration	258	300
Staff costs, including directors' emoluments		
– Salaries and other benefits	14,580	13,401
– Retirement benefit costs *(note 10)*	1,533	1,368
	16,113	14,769
Depreciation and amortisation		
Depreciation		
– Owned property, plant and equipment	5,133	4,758
– Assets held under finance leases	122	295
Amortisation		
– Patents	254	254
– Other assets	234	176
	5,743	5,483
Operating lease charges		
– Land and buildings	4,397	3,848
– Plant and machinery	317	650
	4,714	4,498
Amortisation of premium on acquisition of a jointly controlled entity	326	–
Profit on deemed disposal of a subsidiary	(17)	–
(Gain) loss on disposal of property, plant and equipment	(25)	1,264
Net exchange loss	74	32

7. FINANCE COSTS

	2002 US$'000	2001 US$'000
Interest on		
– Bank loans and overdrafts wholly repayable within five years	1,355	3,779
– Finance leases	28	70
Bank charges and commissions	446	343
	1,829	4,192

8. INVESTMENT INCOME

	2002 US$'000	2001 US$'000
Interest earned on bank deposits	120	752

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

	2002 US$'000	2001 US$'000
Directors' emoluments		
Fees:		
Executive	92	77
Non-executive	23	19
Independent non-executive	46	38
	161	134
Other emoluments:		
Executive:		
Salaries and other benefits	865	489
Retirement benefit costs	13	13
	878	502
	1,039	636

The directors' emoluments were within the following bands:

		2002 **Number of directors**	2001 **Number of directors**
Nil – US$128,217	(Nil – HK$1,000,000)	5	5
US$192,326 – US$256,433	(HK$1,500,001 – HK$2,000,000)	1	1
US$256,434 – US$320,541	(HK$2,000,001 – HK$2,500,000)	–	1
US$641,083 – US$705,191	(HK$5,000,001 – HK$5,500,000)	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 (2001: 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:–

	2002 US$'000	2001 US$'000
Salaries and other benefits	320	305
Retirement benefit costs	14	13
	334	318

Their emoluments were within the following bands:

		2002 **Number of individuals**	2001 **Number of individuals**
Nil – US$128,217	(Nil – HK$1,000,000)	2	3
US$128,218 – US$192,325	(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. These schemes are registered under the Occupational Retirement Scheme Ordinance. The assets of the schemes are held separately and managed by independent trustees. Under the rules of the schemes, the employer and its employees are each required to make contributions to the schemes at rates specified in the rules. 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 Scheme 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$1,533,000 (2001: US$1,368,000). Contributions totaling US$102,000 (2001: US$221,000) were payable to the retirement schemes at the year-end and retirement benefit provision made for the local employees in Indonesia totaling US$146,000 (2001: US$50,000) are included in accruals and other payables.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of nil (2001: US$2,000) 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. (2001: 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.

	2002 US$'000	2001 US$'000
Current tax:		
Hong Kong profits tax	280	238
Overseas taxation	791	1,265
	1,071	1,503
Taxation attributable to the Company and its subsidiaries	1,071	1,503
Share of taxation attributable to associates	1,190	229
Share of taxation attributable to jointly controlled entities	(4)	66
	2,257	1,798

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

	2002 US$'000	2001 US$'000
Accelerated depreciation allowances	29	16
Tax losses	(254)	470
	(225)	486

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$3,409,000 (2001: US$1,307,000).

13. DIVIDEND

The final dividend of HK6 cents (2001: HK 2 cents) per share, totalling US$3,508,000 (2001: 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$14,689,000 (2001: US$10,313,000) and 456,001,760 ordinary shares (2001: 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 2002 and 2001.

15. PROPERTY, PLANT AND EQUIPMENT

Group	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
Cost						
At 1st January, 2002	76	34,255	34,730	6,526	4,046	79,633
Additions	2,072	111	1,024	309	100	3,616
Disposals	–	(93)	(561)	(358)	(188)	(1,200)
Eliminated on deemed disposal of a subsidiary	(45)	(7,824)	(3,215)	(721)	(291)	(12,096)
Transfer from assets under construction	(1,341)	496	545	73	227	–
Translation differences	–	(1)	(1)	–	–	(2)
At 31st December, 2002	762	26,944	32,522	5,829	3,894	69,951
Accumulated depreciation						
At 1st January, 2002	–	9,670	16,236	5,029	2,807	33,742
Charge for the year	–	1,456	3,131	372	296	5,255
Eliminated on disposals	–	(27)	(453)	(339)	(176)	(995)
Eliminated on deemed disposal of a subsidiary	–	(2,887)	(1,601)	(371)	(217)	(5,076)
Translation differences	–	(1)	–	–	–	(1)
At 31st December, 2002	–	8,211	17,313	4,691	2,710	32,925
Net book value						
At 31st December, 2002	**762**	**18,733**	**15,209**	**1,138**	**1,184**	**37,026**
At 31st December, 2001	76	24,585	18,494	1,497	1,239	45,891

The net book value of plant and machinery held under finance leases amounted to US$79,000 (2001: US$1,422,000).

Plant and machinery with an aggregate net book value of US$2,889,000 as at 31st December, 2002 (2001: nil) 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, 2002 was US$604,000 (2001: nil).

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, 2002				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	91	91
On medium term lease (10 to 50 years)	–	75	–	75
Held outside Hong Kong				
On medium term lease (10 to 50 years)	2,638	6,371	9,558	18,567
	2,638	6,446	9,649	18,733
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

Land and buildings held outside Hong Kong with an aggregate net book value of US$12,775,000 as at 31st December, 2002 (2001: US$13,744,000) 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, 2002 was US$4,791,000 (2001: US$6,357,000).

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, 2002	980	44	1,024
Additions	174	17	191
Disposals	(197)	–	(197)
At 31st December, 2002	957	61	1,018
Accumulated depreciation			
At 1st January, 2002	909	22	931
Charge for the year	49	20	69
Eliminated on disposals	(197)	–	(197)
At 31st December, 2002	761	42	803
Net book value			
At 31st December, 2002	**196**	**19**	**215**
At 31st December, 2001	71	22	93

16. PATENTS

Group

	US$'000
Cost	
At 1st January, 2002 and 31st December, 2002	3,031
Amortisation	
At 1st January, 2002	1,298
Charge for the year	254
At 31st December, 2002	1,552
Net book value	
At 31st December, 2002	**1,479**
At 31st December, 2001	1,733

17. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	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, 2002 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
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	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
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 other specialised containers
Singamas Management Services Ltd.*	British Virgin Islands	100%	US$1,000	Provision of management services and marketing containers in the PRC
Singamas Refrigerated Container Ltd.*	British Virgin Islands	59.2%	Ordinary US$100,000	Investment holding
		55.9%	Redeemable preferred US$19,400,000	

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 depot 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 and 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$3,969,000 (2001: US$15,325,000) 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**	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
Unlisted shares and investments, at cost	–	–	15,623	8,166
Share of net assets	22,881	10,284	–	–
	22,881	10,284	15,623	8,166

19. INTERESTS IN ASSOCIATES (continued)

Particulars of principal associates as at 31st December, 2002 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 Leliu 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 investment cost are US$11,883,000 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	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
Unlisted shares and investments, at cost	–	–	8,910	7,910
Share of net assets of jointly controlled entities	16,697	7,968	–	–
Premium on acquisition of joint venture	2,646	1,359	–	–
Negative goodwill arising on acquisition of joint venture	(3,641)	–	–	–
	15,702	9,327	8,910	7,910

During the year, an additions of US$1,613,000 premium arose on the Company's acquisition of a jointly controlled entity and an amortisation of premium on acquisition of joint venture amounted to US$326,000 was charged to the income statement under other operating expenses. The premium on acquisition of joint venture is amortised over its estimated useful life of 5 years.

The negative goodwill arose on the Group's acquisition of Shanghai Baoshan Pacific Container Co. Ltd. At the date of acquisition, US$587,000 of the negative goodwill was identified as relating to expected future losses and expenses to be incurred during 2003. The remaining negative goodwill of US$3,054,000 is released to income on a straight-line basis over a period of five years, the remaining weighted average useful life of the depreciable assets acquired.

Particulars of principal jointly controlled entities which are established in the PRC, as at 31st December, 2002 are set out below:–

Name	Group equity interest	Proportion of voting power	Principal activities
Dalian Singamas International Container Co., Ltd.#@	30%	22.2%	Provision of container storage and repair services
Fuzhou Singamas Warehousing & Trading Ltd.#	40%	40%	Provision of container storage and repair services
Shanghai Baoshan Pacific Container Co., Ltd.#	39%	40%	Manufacturing of dry freight and specialised containers
Shanghai Jifa Logistics Co., Ltd.#	16.948%	22.2%	Provision of container storage, repair and logistics services

20. INTERESTS IN JOINT VENTURES (continued)

Name	Group equity interest	Proportion of voting power	Principal activities
Tianjin Pacific Container Co., Ltd.*#	90%	80%	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 investment cost are US$7,848,000 and US$6,800,000 respectively.*

In 2002, Shanghai Singamas Container Transportation Co., Ltd., previously a 60% owned-subsidiary of the Company, entered into an agreement to merge with two other companies with similar operations to form Shanghai Jifa Logistics Co., Ltd.

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

	2002 US$'000	2001 US$'000
Unlisted equity securities	611	611

22. OTHER ASSETS

	Group	
	2002	2001
	US$'000	US$'000
At 1st January	853	904
Amount capitalised	35	125
Amount amortised	(234)	(176)
At 31st December	654	853

23. INVENTORIES

	Group	
	2002	2001
	US$'000	US$'000
Raw materials	19,743	21,357
Work in progress	9,244	2,460
Finished goods	21,678	26,019
	50,665	49,836

The cost of inventories recognised as an expense during the year was US$153,423,000 (2001: US$136,710,000).

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, 2002 is as follows:

	Group	
	2002	2001
	US$'000	US$'000
0 to 30 days	17,022	6,932
31 to 60 days	9,167	4,200
61 to 90 days	6,151	6,901
91 to 120 days	2,154	4,750
Over 120 days	2,896	6,232
	37,390	29,015

25. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	Group	
	2002	2001
	US$'000	US$'000
0 to 30 days	8,824	5,914
31 to 60 days	6,031	3,577
61 to 90 days	4,010	3,172
91 to 120 days	2,866	1,174
Over 120 days	1,770	2,476
	23,501	16,313

26. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies are as follows:

Name	**Balance as at 31.12.2002 US$'000**	**Balance as at 31.12.2001 US$'000**	**Maximum amount outstanding during the year US$'000**
Pacific International Lines (HK) Limited	539	657	2,955
Xiamen Superchain Logistics Development Co. Ltd.	99	–	272
	638	657	3,227

The amounts due from related companies of the Group represents trade receivable balances 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; and Xiamen Superchain Logistics Development Co. Ltd., an investment of the Company in which the Company holds 6.83%. The balance is subject to normal credit terms.

27. SHARE CAPITAL

	Number of shares					
	2002	2001	2002	2002	2001	2001
			US$'000	HK$'000	US$'000	HK$'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, 2002 and 2001.

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, which are all granted to the directors are as follows:

Date of Grant	Exercise Price (HK$)	Number of Share Options as at 31st December, 2002 & 2001
8th October, 1994	1.908	1,900,000
15th May, 1995	1.440	1,500,000
		3,400,000

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting share issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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, 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 1st January, 2002						
– 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
Exchange translation differences						
– The Company and subsidiaries	–	–	–	–	–	–
– Associates	–	6	–	–	–	6
– Jointly controlled entities	–	–	–	–	–	–
Net profit for the year	–	–	–	–	14,689	14,689
Dividend paid	–	–	–	–	(1,169)	(1,169)
Transfer from accumulated profits	–	–	359	158	(517)	–
At 31st December, 2002	**38,522**	**310**	**1,792**	**1,330**	**23,637**	**65,591**
Attributable to:						
– The Company and subsidiaries	38,522	246	1,482	1,164	17,976	59,390
– Associates	–	64	164	20	5,874	6,122
– Jointly controlled entities	–	–	146	146	(213)	79
	38,522	310	1,792	1,330	23,637	65,591

29. RESERVES (continued)

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, 2002, goodwill/negative goodwill totaling of US$9,903,000 (2001: US$9,903,000) was directly eliminated against/credited to accumulated profits.

Company	Share premium US$'000	Accumulated profits US$'000	Total US$'000
At 1st January, 2001	38,522	10,340	48,862
Net profit for the year	–	1,307	1,307
At 1st January, 2002	38,522	11,647	50,169
Net profit for the year	–	3,409	3,409
Dividend paid	–	(1,169)	(1,169)
At 31st December, 2002	**38,522**	**13,887**	**52,409**

Distributable reserves of the Company at 31st December, 2002, calculated under section 79B of the Companies Ordinance, amounted to US$13,887,000 (2001: US$11,647,000).

30. BANK BORROWINGS

	Group		Company	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
Bank borrowings comprise the following:				
Bank loans				
Secured				
– due within 1 year	7,915	7,477	2,520	3,120
– due more than 1 year, but not exceeding 2 years	960	4,520	960	2,520
– due more than 2 years, but not exceeding 5 years	–	960	–	960
	8,875	12,957	3,480	6,600
Unsecured				
– due within 1 year	29,690	35,072	2,200	13,200
– due more than 1 year, but not exceeding 2 years	8,473	1,530	8,473	–
– due more than 2 years, but not exceeding 5 years	5,727	1,900	5,727	–
	43,890	38,502	16,400	13,200
Less: Amount shown under current liabilities	(37,605)	(42,549)	(4,720)	(16,320)
Amount due after one year	15,160	8,910	15,160	3,480

31. OBLIGATIONS UNDER FINANCE LEASES

Group

	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	US$'000	US$'000	US$'000	US$'000
The maturity of obligations under finance leases are as follows:				
– within 1 year	7	515	6	487
– more than 1 year, but not exceeding 2 years	–	7	–	6
	7	522	6	493
Less: future finance charges	(1)	(29)	N/A	N/A
Present value of finance leases obligations	6	493	6	493
Less: Amount shown under current liabilities			(6)	(487)
Amount due after one year			–	6

31. OBLIGATIONS UNDER FINANCE LEASES (continued)

Company

	2002 US$'000	2001 US$'000	2002 US$'000	2001 US$'000
The maturity of obligations under finance leases are as follows:				
– within 1 year	–	60	–	59
	–	60	–	59
Less: future finance charges	–	(1)	N/A	N/A
Present value of finance leases obligations	–	59	–	59
Less: Amount shown under current liabilities			–	(59)
Amount due after one year			–	–

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 2002, the average effective borrowing rate was 10.8%. The 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	
	2002 US$'000	2001 US$'000	2002 US$'000	2001 US$'000
Accelerated depreciation allowances	17	46	(11)	2
Tax losses	1,370	1,116	1,272	1,057
	1,387	1,162	1,261	1,059

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	
	2002 US$'000	2001 US$'000	2002 US$'000	2001 US$'000
Guarantees for lease and bank facilities utilised by subsidiaries	–	–	6,860	7,413
Guarantees for bank facilities utilised by an associate	5,316	4,940	5,316	4,940
Guarantees for bank facilities utilised by jointly controlled entities	12,569	4,916	12,569	4,916
Performance bonds	–	1,208	–	–
	17,885	11,064	24,745	17,269

34. CAPITAL COMMITMENTS

	Group	
	2002 US$'000	2001 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided	791	17
Capital expenditure in respect of business acquisition contracted but not provided *(Note)*	10,320	7,400
	11,111	7,417

Note:

On 1st September, 2002, the Company entered into a joint venture agreement with a third party to establish a container factory named Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific"). According to this agreement, the Company will hold 55% equity interest in Qingdao Pacific at a consideration of US$6,600,000. Subsequent to 31st December, 2002, the Company has paid US$1,980,000 of the investment cost by its internal fund and by bank borrowings.

On 4th November, 2002, the Company entered into a share transfer agreement with a third party to acquire an additional 20% equity interest in Shunde Shun An Da Pacific Container Co. Ltd. ("Shun An Da") at a consideration of US$3,600,000. Subsequent to 31st December, 2002, the Company has fully paid up the investment cost by its internal fund and by bank borrowings. After the acquisition, the Company will increase its shareholdings in Shun An Da from 40% to 60%.

35. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2002 US$'000	2001 US$'000	2002 US$'000	2001 US$'000
Land and buildings				
– in the 1st year	1,940	3,135	231	83
– in the 2nd to 5th years inclusive	3,478	5,080	428	–
– beyond 5th year	4,774	7,045	–	–
	10,192	15,260	659	83

Operating lease payments represent rentals payable by the Group for certain of its container depot sites. 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. DEEMED DISPOSAL OF A SUBSIDIARY

As referred to note 20, the Group disposed of its subsidiary, Singamas Container Transportation Co., Ltd. on 30th November, 2002.

The net assets of the deemed disposed subsidiary at the date of disposal and at 31st December, 2001 were as follows:

	30/11/2002 US$'000	31/12/2001 US$'000
Property, plant and equipment	7,020	7,934
Accounts receivable	1,095	981
Inventories	122	138
Cash and bank balances	2,533	2,393
Other assets	299	677
Current liabilities	(568)	(896)
Minority interests	(4,200)	(4,491)
	6,301	6,736
Gain on disposal	17	
Total consideration	6,318	
Satisfied by:		
Share of net assets of the new jointly controlled entity	6,318	
Net cash outflow in respect of deemed disposal of a subsidiary:		
Cash and bank balances disposed of	2,533	

37. RELATED PARTY TRANSACTIONS

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

	2002 US$'000	2001 US$'000
Sales to ultimate holding company *(note a)*	192	158
Sales to a fellow subsidiary *(note a)*	1,588	1,474
Sales to related companies *(note a)*	10,234	7,420
Rental paid to ultimate holding company *(note b)*	14	19

Notes:

(a) Sales to ultimate holding company, a fellow subsidiary and related companies 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 PIL, a substantial shareholder of the Company, has 100% effective interest. The related companies are PIL (HK), in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests; and Xiamen Superchain Logistics Development Co., Ltd., an investment of the Company in which the Company holds 6.83% shareholding.

(b) PIL leased an office space to Singamas Terminals (China) Limited under a tenancy agreement for a period of 2 years commencing 1st January, 2001 at a monthly rental of US$1,611. The agreement, which was entered into on normal commercial terms and at market value, was terminated with effect from 1st October, 2002.

The balances with related parties are disclosed in the consolidated balance sheet and note 26. All such balances are subject to normal credit terms and aged mainly from 30 days to 90 days. The amount due from/to ultimate holding company is interest free and repayable on demand.

38. EVENTS AFTER THE BALANCE SHEET DATE

On 9th January, 2003, the Company entered into a share transfer agreement with PIL to acquire an additional 35% equity interest in Shanghai Baoshan Pacific Container Co. Ltd. ("Shanghai Baoshan") at a consideration, which will be satisfied in a form of corporate guarantee in an amount of US$1,522,500 to be provided by the Group in favor of a bank of Shanghai Baoshan. Since PIL is a substantial shareholder of the Company, this acquisition is considered as a connected transaction in accordance with the Listing Rules. Details of this connected transaction have been disclosed by way of a press notice in compliance with the Listing Rules. Upon completion of this acquisition, the Group's effective equity interest in Shanghai Baoshan will increase from 39% to 74%.

On 20th January, 2003, the Company's wholly-owned subsidiary, Singamas Warehouse (Shanghai) Company Limited entered into a share transfer agreement with a third party to acquire an additional 8.052% equity interest in Shanghai Jifa Logistics Co., Ltd. ("Shanghai Jifa") at a consideration of US$2,956,000. Upon completion of this acquisition, the Group's effective interest in Shanghai Jifa will increase from 16.948% to 25%.

On 12th February, 2003, the Company's wholly-owned subsidiary, Singamas Terminals (China) Limited, entered into a share transfer agreement with a third party to acquire an additional 19% equity interest in Shunde Leliu Wharf & Container Co. Ltd. ("SLWC") at a consideration of US$3,800,000. As the unaudited net tangible asset value of SLWC as at 31st December, 2002 represents more than 15% of the audited consolidated net tangible asset value of the Company as at 31st December, 2001, the entering into this agreement constituted a discloseable transaction under the Listing Rules. Details of this discloseable transaction have been disclosed by way of a press notice in compliance with the Listing Rules. Upon completion of this acquisition, the Group's effective interest in SLWC will increase from 40% to 59%.