Notes to the Financial Statements

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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA.

SSAP12 (Revised) Income Taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision had to be made for deferred tax using income statement liability method, i.e. a liability would be recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The retrospective adoption of this new standard has not resulted in any significant effect on the financial statements in the prior periods, and accordingly, no prior period adjustment has been made. The effect of the adoption of this new accounting policy has increased the net profit for the current year by US$191,000.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 acquired identifiable 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Property, plant and equipment, other than assets under construction, are stated at cost less accumulated depreciation and any identified impairment loss. 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	Nil
– on medium term lease	period of 20 to 50 years	
Buildings and site improvements outside Hong Kong		
– on medium term lease	20 to 30 years	Nil to 10 per cent.
– on short lease	5 years	Nil
Land, buildings and site improvements in Hong Kong		
– on medium term lease	10 to 50 years	Nil
– on short lease	1 to 10 years	Nil
Plant and machinery	5 to 15 years	Nil to 10 per cent.
Furniture, fittings and office equipment	5 to 10 years	Nil to 10 per cent.
Motor vehicles	5 to 10 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(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. Contribution payable by the Group to the scheme is charged to the income statement.

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, is 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 is 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 and Labour Law No. 13/2003 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:

	2003	2002
	US$'000	US$'000
Container manufacturing	**415,572**	141,420
Container depot/terminal	**18,090**	23,593
Mid-stream	**17,050**	15,624
	450,712	180,637

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.

Segment information about these businesses is presented below.

2003

	Container manufacturing US$'000	Container depot/ terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
TURNOVER					
External sales	415,572	18,090	17,050	–	450,712
Inter-segment sales	–	3,926	194	(4,120)	–
Total	415,572	22,016	17,244	(4,120)	450,712
	Inter-segment sales are charged at prevailing market prices.				
PROFIT FROM OPERATIONS	22,321	4,663	2,739		29,723
Finance costs					(4,105)
Investment income					299
Share of results of associates	–	1,088	–		1,088
Share of results of jointly controlled entities	4,157	943	–		5,100
Profit before taxation					32,105
Taxation	(894)	(677)	(303)		(1,874)
Profit after taxation					30,231

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

OTHER INFORMATION

	Container manufacturing US$'000	**Container depot/ terminal US$'000**	**Mid-stream US$'000**	**Total US$'000**
Capital expenditure	**6,933**	**7,265**	**4**	**14,202**
Depreciation and amortisation	**5,664**	**1,982**	**27**	**7,673**
BALANCE SHEET				
ASSETS				
Segment assets	**335,569**	**55,715**	**3,515**	**394,799**
Interests in associates	**120**	**2,658**	**–**	**2,778**
Interests in jointly controlled entities	**20,167**	**10,471**	**–**	**30,638**
Consolidated total assets				**428,215**
LIABILITIES				
Segment liabilities	**139,641**	**11,260**	**2,464**	**153,365**
Unallocated liabilities				**121,231**
Consolidated total liabilities				**274,596**

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	9,192	3,356	2,646		15,194
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	(647)	136	–		(511)
Profit before taxation					20,997
Taxation	(1,466)	(514)	(277)		(2,257)
Profit after taxation					18,740

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

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	45,741	6,275	1,988	54,004
Unallocated liabilities				58,427
Consolidated total liabilities				112,431

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	
	2003 US$'000	2002 US$'000
Europe	**117,049**	40,161
Hong Kong	**110,709**	32,968
United States	**101,404**	44,222
PRC (other than Hong Kong and Taiwan)	**33,345**	39,018
Others	**88,205**	24,268
	450,712	180,637

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments (Continued)

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	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
PRC (other than Hong Kong and Taiwan)	**371,008**	170,284	**13,859**	2,875
Hong Kong	**45,330**	19,529	**263**	552
Others	**11,877**	13,209	**80**	189
	428,215	203,022	**14,202**	3,616

6 PROFIT FROM OPERATIONS

	2003 US$'000	2002 US$'000
Profit from operations has been arrived at after charging the following:		
Auditors' remuneration	**291**	258
Staff costs, including directors' emoluments		
– Salaries and other benefits	**24,565**	14,580
– Retirement benefit costs *(note 10)*	**1,746**	1,533
	26,311	16,113
Depreciation and amortisation		
Depreciation		
– Owned property, plant and equipment	**6,981**	5,133
– Assets held under finance leases	**–**	122
Amortisation		
– Patents	**253**	254
– Goodwill	**80**	–
– Other assets	**359**	234
	7,673	5,743
Operating lease charges		
– Land and buildings	**3,136**	4,397
– Plant and machinery	**202**	317
	3,338	4,714
Amortisation of premium on acquisition of a jointly controlled entity	**594**	326
Amortisation of discount on acquisition of a jointly controlled entity	**(1,904)**	–
Profit on deemed disposal of a subsidiary	**–**	(17)
Loss (gain) on disposal of property, plant and equipment	**457**	(25)
Net exchange loss	**186**	74

7 FINANCE COSTS

	2003 US$'000	2002 US$'000
Interest on		
– Bank loans and overdrafts wholly repayable within five years	**3,582**	1,355
– Finance leases	**1**	28
Bank charges and commissions	**522**	446
	4,105	1,829

8 INVESTMENT INCOME

	2003 US$'000	2002 US$'000
Interest earned on bank deposits	**299**	120

9 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

	2003 US$'000	2002 US$'000
Directors' emoluments		
Fees:		
Executive	**104**	92
Non-executive	**26**	23
Independent non-executive	**74**	46
	204	161
Other emoluments:		
Executive:		
Salaries and other benefits	**492**	498
Performance-related incentive payments	**509**	367
Retirement benefit costs	**13**	13
	1,014	878
	1,218	1,039

The directors' emoluments were within the following bands:

		2003 Number of directors	2002 Number of directors
Nil – US$128,409	(Nil – HK$1,000,000)	**6**	5
US$192,614 – US$256,818	(HK$1,500,001 – HK$2,000,000)	**1**	1
US$642,046 – US$706,251	(HK$5,000,001 – HK$5,500,000)	**–**	1
US$770,456 – US$834,660	(HK$6,000,001 – HK$6,500,000)	**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 (2002: 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:

	2003 US$'000	2002 US$'000
Salaries and other benefits	**333**	320
Retirement benefit costs	**15**	14
	348	334

Their emoluments were within the following bands:

		2003 Number of individuals	2002 Number of individuals
Nil – US$128,409	(Nil – HK$1,000,000)	**1**	2
US$128,410 – US$192,613	(HK$1,000,001 – HK$1,500,000)	**2**	1

Details of the Share Option Scheme are set out in note 29.

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.

10 RETIREMENT BENEFIT COSTS (CONTINUED)

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 and Labour Law No. 13/2003 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$1,746,000 (2002: US$1,533,000). At the balance sheet date, contributions payable to the retirement schemes totalling US$270,000 (2002: US$102,000) and retirement benefit provision made for the local employees in Indonesia totalling US$352,000 (2002: US$146,000) are included in accruals and other payables.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of US$7,000 (2002: nil) 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 17.5 per cent. (2002: 16 per cent.) on the estimated assessable profit for the year. The profits tax rate has been increased with effect from the 2003/2004 year of assessment.

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.

	2003 **US$'000**	2002 US$'000
Current tax:		
Hong Kong profits tax		
– Current year	**309**	280
Overseas taxation		
– Current year	**2,121**	791
– Prior year overprovision	**(162)**	–
	2,268	1,071
Deferred tax:		
Current year	**(232)**	–
Taxation attributable to the Company and its subsidiaries	**2,036**	1,071
Share of taxation attributable to associates	**159**	1,190
Prior year overprovision attributable to an associate	**(588)**	–
Share of taxation attributable to jointly controlled entities	**267**	(4)
	1,874	2,257

11 TAXATION (CONTINUED)

Tax charge for the year can be reconciled to the profit per income statement as follows:

	2003		2002	
	US$'000	**%**	US$'000	%
Profit before taxation	**32,105**		20,997	
Tax at the domestic income tax rate of 17.5% (2002: 16%)	**5,618**	**17.50**	3,360	16.00
Tax effect of expenses that are not deductible in determining taxable profit	**685**	**2.14**	339	1.62
Tax effect of income that are not taxable in determining taxable profit	**(879)**	**(2.74)**	(312)	(1.49)
Tax effect on tax losses arising in the current year not recognised	**527**	**1.64**	461	2.20
Tax effect of utilisation of tax losses not previously recognised	**(573)**	**(1.78)**	(342)	(1.63)
Tax effect of other deductible temporary differences not previously recognised	**(482)**	**(1.50)**	(373)	(1.78)
Overprovision in prior years	**(750)**	**(2.34)**	–	–
Tax effect on reduction of tax rate as a temporary relief	**(1,177)**	**(3.67)**	(447)	(2.13)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,118)**	**(3.48)**	(414)	(1.97)
Others	**23**	**0.07**	(15)	(0.07)
	1,874	**5.84**	2,257	10.75

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$2,396,000 (2002: US$3,409,000).

13 DIVIDEND

	2003	2002
	US$'000	US$'000
Interim paid:		
HK3 cents (2002: nil) per ordinary share	**2,035**	–
Final proposed:		
HK6 cents (2002: HK6 cents) per ordinary share	**4,037**	3,508
	6,072	3,508

The final dividend of HK6 cents (2002: HK 6 cents) per share, totalling US$4,037,000 (2002: US$3,508,000), 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

	2003	2002
	US$'000	US$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	**20,370**	14,689
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**500,830,056**	456,001,760
Effect of dilutive share options	**100,730**	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**500,930,786**	456,001,760

For the year ended 31st December, 2002, 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.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Assets under construction	Land and buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost						
At 1st January, 2003	762	26,944	32,522	5,829	3,894	69,951
Additions	6,995	5,295	1,090	378	444	14,202
Disposals	–	(1,244)	(977)	(633)	(456)	(3,310)
Acquired on acquisition of subsidiaries	832	26,038	14,002	429	1,416	42,717
Transfer from assets under construction	(3,215)	302	2,691	31	191	–
Reclassification	–	55	1,084	(1,139)	–	–
Translation differences	–	10	9	4	1	24
At 31st December, 2003	5,374	57,400	50,421	4,899	5,490	123,584
Accumulated depreciation						
At 1st January, 2003	–	8,211	17,313	4,691	2,710	32,925
Charge for the year	–	1,807	4,249	351	574	6,981
Eliminated on disposals	–	(675)	(830)	(571)	(147)	(2,223)
Reclassification	–	38	855	(893)	–	–
Translation differences	–	8	3	4	1	16
At 31st December, 2003	–	9,389	21,590	3,582	3,138	37,699
Net book value						
At 31st December, 2003	5,374	48,011	28,831	1,317	2,352	85,885
At 31st December, 2002	762	18,733	15,209	1,138	1,184	37,026

The net book value of plant and machinery held under finance leases amounted to nil (2002: US$79,000).

Plant and machinery with an aggregate net book value of US$869,000 as at 31st December, 2003 (2002: US$2,889,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2003 was US$1,389,000 (2002: US$604,000).

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, 2003				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	51	51
On medium term lease (10 to 50 years)	–	74	–	74
Held outside Hong Kong				
On medium term lease (20 to 50 years)	16,768	6,087	25,031	47,886
	16,768	6,161	25,082	48,011
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 (20 to 50 years)	2,638	6,371	9,558	18,567
	2,638	6,446	9,649	18,733

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings held outside Hong Kong with an aggregate net book value of US$6,812,000 as at 31st December, 2003 (2002: US$12,775,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2003 was US$2,363,000 (2002: US$4,791,000).

Company	**Furniture, fittings and office equipment** US$'000	**Motor vehicles** US$'000	**Total** US$'000
Cost			
At 1st January, 2003	957	61	1,018
Additions	65	185	250
At 31st December, 2003	1,022	246	1,268
Accumulated depreciation			
At 1st January, 2003	761	42	803
Charge for the year	74	37	111
At 31st December, 2003	835	79	914
Net book value			
At 31st December, 2003	187	167	354
At 31st December, 2002	196	19	215

16 PATENTS

Group

	US$'000
Cost	
At 1st January, 2003 and 31st December, 2003	3,031
Amortisation	
At 1st January, 2003	1,552
Charge for the year	253
At 31st December, 2003	1,805
Net book value	
At 31st December, 2003	1,226
At 31st December, 2002	1,479

17 GOODWILL

Group	US$'000
Cost	
Arising on acquisition of additional equity interest of a subsidiary and balance as at 31st December, 2003	1,200
Amortisation	
Charge for the year and balance as at 31st December, 2003	80
Net Book Value	
At 31st December, 2003	1,120

Goodwill on acquisition of a subsidiary is amortised over its estimated useful life of 5 years.

18 INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	US$'000	US$'000
Unlisted shares and investments, at cost	**48,349**	31,971

Particulars of principal subsidiaries as at 31st December, 2003 are set out below:

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
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

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Foshan Shunde Leliu Wharf & Container Co., Ltd. # (formerly known as Shunde Leliu Wharf & Container Co., Ltd.)	PRC	59%	US$20,000,000	Provision of container terminal services
Guangdong Shun An Da Pacific Container Co., Ltd. * # (formerly known as Shunde Shun An Da Pacific Container Co., Ltd.)	PRC	60%	US$18,000,000	Manufacturing of dry freight and specialised containers
Hong Kong Transportation and Machinery Co., Ltd.*	Samoa	100%	US$1,000	Provision of management services in the PRC
PT. 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
Shanghai Reeferco Container Co., Ltd. #	PRC	88.6%	US$22,000,000	Manufacturing of refrigerated containers
Shunde Shun An Da Pacific Container Co., Ltd. * (formerly known as Abacus International Finance Ltd.)	British Virgin Islands	60%	US$1,000	Marketing dry freight and specialised containers in the PRC

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
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 containers in the PRC
Singamas Refrigerated Container Ltd. *	British Virgin Islands	100% 73%	Ordinary US$100,000 Redeemable preferred US$19,400,000	Investment holding
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

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
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*

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 securities outstanding at the end of the year.

19 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$20,964,000 (2002: US$3,969,000) 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.

20 INTERESTS IN ASSOCIATES

	Group		Company	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments, at cost	**–**	–	**8,543**	15,623
Share of net assets	**2,778**	22,881	**–**	–
	2,778	22,881	**8,543**	15,623

Particulars of associates as at 31st December, 2003 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
Singamas Thai Logistics Co., Ltd. * (formerly known as Singamas Falcon Logistics Co., Ltd.)	Incorporated	Thailand	25%	25%	Provision of container storage and repair services
Yixing Goldrich Welding Metal Co., Ltd.* #	Incorporated	PRC	30%	33.3%	Manufacturing of welding parts

* *Held directly by the Company.*
\# *Equity joint venture*

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments, at cost	**–**	–	**15,839**	8,910
Share of net assets	**36,272**	19,124	**–**	–
Premium on acquisition	**2,052**	2,646	**–**	–
Discount on acquisition	**(7,686)**	(6,068)	**–**	–
	30,638	15,702	**15,839**	8,910

During the year, amortisation of premium on acquisition of a jointly controlled entity amounted to US$594,000 (2002: US$326,000) was charged to the income statement. The premium on acquisition of a jointly controlled entity is amortised over its estimated useful life of 5 years.

The discount on acquisition of a jointly controlled entity, arose on the Group's acquisition of Shanghai Baoshan Pacific Container Co. Ltd., 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. Amortisation for the year amounted to US$1,904,000 (2002: nil) was released to income.

Particulars of jointly controlled entities which are established in the PRC, as at 31st December, 2003 are set out below:

Name	Group equity interest	Proportion of voting power	Principal activities
Dalian Singamas International Container Co., Ltd. #	30%	33.3%	Provision of container storage and repair services
Fuzhou Singamas Container Co., Ltd. # (formerly known as Fuzhou Singamas Warehousing & Trading Co., Ltd.)	40%	40%	Provision of container storage and repair services
Qingdao Pacific Container Co., Ltd. * #	55%	60%	Manufacturing of dry freight and specialised containers

21 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Name	Group equity interest	Proportion of voting power	Principal activities
Shanghai Baoshan Pacific Container Co., Ltd. #	74%	66.7%	Manufacturing of dry freight and specialised containers
Shanghai Jifa Logistics Co., Ltd. #	25%	22.2%	Provision of container storage, repair and logistics services
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*

22 INVESTMENT IN SECURITIES

Group and Company

Investment securities

	2003 **US$'000**	2002 US$'000
Unlisted equity securities	**611**	611

23 OTHER ASSETS

	Group	
	2003	2002
	US$'000	US$'000
At 1st January	**654**	853
Acquired on acquisition of subsidiaries	**228**	–
Amount capitalised	**354**	35
Amount amortised	**(359)**	(234)
At 31st December	**877**	654

24 INVENTORIES

	Group	
	2003	2002
	US$'000	US$'000
Raw materials	**39,775**	19,743
Work in progress	**8,128**	9,244
Finished goods	**33,676**	21,678
	81,579	50,665

The cost of sales recognised during the year was US$401,374,000 (2002: US$153,423,000).

25 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, 2003 is as follows:

	Group	
	2003	2002
	US$'000	US$'000
0 to 30 days	**42,207**	17,022
31 to 60 days	**16,130**	9,167
61 to 90 days	**11,099**	6,151
91 to 120 days	**7,192**	2,154
Over 120 days	**7,437**	2,896
	84,065	37,390

26 ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	Group	
	2003	2002
	US$'000	US$'000
0 to 30 days	**27,073**	8,824
31 to 60 days	**10,275**	6,031
61 to 90 days	**7,839**	4,010
91 to 120 days	**2,465**	2,866
Over 120 days	**4,720**	1,770
	52,372	23,501

27 AMOUNTS DUE FROM RELATED COMPANIES

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

Name	**Balance as at 31.12.2003 US$'000**	Balance as at 31.12.2002 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (HK) Limited	**1,040**	539	1,914
Xiamen Superchain Logistics Development Co. Ltd.	**133**	99	163
Xiamen Xiangyu PIL Total Logistics Co., Ltd.	**38**	–	63
	1,211	638	2,140

Amounts due from related companies of the Group represent 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; Xiamen Superchain Logistics Development Co. Ltd., an investment of the Company in which the Company holds 6.83%; and Xiamen Xiangyu PIL Total Logistics Co., Ltd., in which PIL has beneficial interest. The balance is subject to normal credit terms.

28 SHARE CAPITAL

	Number of shares 2003	Number of shares 2002	2003 US$'000	2003 HK$'000	2002 US$'000	2002 HK$'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						
At 1st January	**456,001,760**	456,001,760	**5,854**	**45,600**	5,854	45,600
Shares issued for cash	**60,000,000**	–	**770**	**6,000**	–	–
Shares issued on exercise of share options	**3,400,000**	–	**44**	**340**	–	–
Shares issued on increase in interest of a subsidiary	**3,016,000**	–	**38**	**302**	–	–
At 31st December	**522,417,760**	456,001,760	**6,706**	**52,242**	5,854	45,600

On 17th February, 2003, 3,400,000 ordinary shares were issued in relation to the exercise of share options. The market closing price as at that date was HK$2.65 per share.

On 28th April, 2003, 60,000,000 ordinary shares were issued at HK$2.09 per share in relation to a share placement. These shares rank pari passu with the existing shares in all respects. The net proceeds from the placement were used for general funding purposes, including the financing of the Group's acquisitions made during the last two years.

On 21st August, 2003, 3,016,000 ordinary shares were issued at HK$3.355 per share for acquiring 4,083,333 issued ordinary shares of Singamas Refrigerated Container Limited ("Singamas Refrigerated").

29 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. During the year, Messrs. Teo Siong Seng and Hsueh Chao En, the only option holders of the Company, subscribed for 3,000,000 shares and 400,000 shares respectively upon exercising their options under the share option scheme. The share option scheme expired on 16th June, 2003 without any outstanding share options.

30 RESERVES

Group	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1st January, 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 1st January, 2003						
– 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
Exercise of share options	698	–	–	–	–	698
Issue of ordinary shares on placing	15,316	–	–	–	–	15,316
Issue of ordinary shares on increase in interest of a subsidiary	1,259	–	–	–	–	1,259
Share issue expenses	(60)	–	–	–	–	(60)
Exchange translation differences						
– The Company and subsidiaries	–	1	–	–	–	1
– Associates	–	39	–	–	–	39
– Jointly controlled entities	–	1	–	–	–	1
Net profit for the year	–	–	–	–	20,370	20,370
Dividend paid	–	–	–	–	(5,543)	(5,543)
Transfer from accumulated profits	–	–	717	119	(836)	–
At 31st December, 2003	55,735	351	2,509	1,449	37,628	97,672
Attributable to :						
– The Company and subsidiaries	55,735	247	2,085	1,270	34,047	93,384
– Associates	–	103	226	20	749	1,098
– Jointly controlled entities	–	1	198	159	2,832	3,190
	55,735	351	2,509	1,449	37,628	97,672

30 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, 2003, goodwill totalling of US$9,903,000 (2002: US$9,903,000) had been directly written-off against accumulated profits.

Company	**Share premium** US$'000	**Accumulated profits** US$'000	**Total** US$'000
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 1st January, 2003	38,522	13,887	52,409
Exercise of share options	698	–	698
Issue of ordinary shares on placing	15,316	–	15,316
Issue of ordinary shares on increase in interest of a subsidiary	1,259	–	1,259
Share issue expenses	(60)	–	(60)
Net profit for the year	–	2,396	2,396
Dividend paid	–	(5,543)	(5,543)
At 31st December, 2003	55,735	10,740	66,475

Distributable reserves of the Company at 31st December, 2003, calculated under section 79B of the Companies Ordinance, amounted to US$10,740,000 (2002: US$13,887,000).

31 BANK BORROWINGS

	Group		Company	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings comprise the following:				
Bank loans				
Secured				
– due within 1 year	**3,752**	7,915	**–**	2,520
– due more than 1 year, but not exceeding 2 years	**–**	960	**–**	960
– due more than 2 years, but not exceeding 5 years	**–**	–	**–**	–
	3,752	8,875	**–**	3,480
Unsecured				
– due within 1 year	**75,451**	34,978	**–**	4,055
– due more than 1 year, but not exceeding 2 years	**7,500**	8,473	**7,500**	8,473
– due more than 2 years, but not exceeding 5 years	**32,500**	5,727	**32,500**	5,727
	115,451	49,178	**40,000**	18,255
Less: Amount shown under current liabilities	**(79,203)**	(42,893)	**–**	(6,575)
Amount due after one year	**40,000**	15,160	**40,000**	15,160

32 OBLIGATIONS UNDER FINANCE LEASES

Group

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
The maturity of obligations under finance leases are as follows:				
– within 1 year	**–**	7	**–**	6
	–	7	**–**	6
Less: future finance charges	**–**	(1)	**N/A**	N/A
Present value of finance leases obligations	**–**	6	**–**	6
Less: Amount shown under current liabilities			**–**	(6)
Amount due after one year			**–**	–

The Group leased certain of its fixtures and equipment under finance leases. The average lease term was 3 years. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

33 DEFERRED TAX ASSETS

The Group

The following are the major deferred tax assets recognised by the Group and movements thereon during the current year:

	Accelerated tax depreciation US$'000	Tax losses US$'000	Other assets US$'000	Total US$'000
At 1st January, 2003	–	–	–	–
Credit to income	82	47	103	232
At 31st December, 2003	82	47	103	232

At 31st December, 2003, the Group has unused tax losses of US$11,774,000 (2002: US$9,510,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$266,000 (2002: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining US$11,508,000 (2002: US$9,510,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses and losses of US$833,000 (2002: US$187,000) that will expire in 2007. Other losses may be carried forward indefinitely.

The Company

No deferred tax asset has been recognised in respect of the unused tax losses of US$10,628,000 (2002: US$7,952,000) as it is not certain that the tax losses will be utilised in the foreseeable future.

34 CONTINGENT LIABILITIES

	Group		Company	
	2003 US$'000	2002 US$'000	**2003 US$'000**	2002 US$'000
Guarantees for lease and bank facilities utilised by subsidiaries	**–**	–	**38,373**	6,860
Guarantees for bank facilities utilised by an associate	**–**	5,316	**–**	5,316
Guarantees for bank facilities utilised by jointly controlled entities	**20,132**	12,569	**20,132**	12,569
	20,132	17,885	**58,505**	24,745

35 CAPITAL COMMITMENTS

	Group	
	2003	2002
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**438**	791
Capital expenditure in respect of business acquisition contracted but not provided for *(Note)*	**1,920**	10,320
	2,358	11,111

Note:

On 13th November, 2003, the Company entered into a share transfer agreement with SSCMC Transportation Company Limited ("SSCMC") to acquire an additional 10% equity interest in Guangdong Shun An Da Pacific Container Co., Ltd., formerly known as Shunde Shun An Da Pacific Container Co., Ltd. ("Shun An Da") at a cash consideration of US$1,800,000. Since SSCMC is a substantial shareholder of Shun An Da, SSCMC is a connected person and entering into this agreement constitutes a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Subsequent to 31st December, 2003, the Company has fully paid up the investment cost by its internal fund. After the acquisition, the Company will increase its equity interest in Shun An Da from 60% to 70%. Details of this connected transaction have been disclosed by way of a press notice in compliance with the Listing Rules.

36 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	
	2003	2002	**2003**	2002
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– in the 1st year	**2,058**	1,940	**287**	231
– in the 2nd to 5th year inclusive	**3,005**	3,478	**143**	428
– beyond 5th year	**4,143**	4,774	**–**	–
	9,206	10,192	**430**	659

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.

37 ACQUISITION OF SUBSIDIARIES

During the year, the Group has acquired an additional 20% equity stake in Shun An Da and an additional 19% equity stake in Foshan Shunde Leliu Wharf & Container Co., Ltd., formerly known as Shunde Leliu Wharf & Container Co., Ltd. ("SLWC"). On completion of these transactions, Shun An Da and SLWC became the 60% and 59% owned-subsidiaries of the Group respectively.

	US$'000
Net assets acquired:	
Property, plant and equipment	42,717
Accounts receivable	77,503
Prepayments and other receivables	6,457
Inventories	24,892
Cash and bank balances	40,087
Other assets	228
Bank loans	(31,045)
Bills payable	(66,207)
Accounts payable	(30,637)
Accruals and other payables	(11,670)
Amount due to group company	(677)
Minority interests	(23,591)
Interests in associates	(20,657)
Total consideration	7,400
Satisfied by:	
Cash	7,400
Net cash inflow arising on acquisition:	
Cash consideration	(7,400)
Cash and bank balances acquired	40,087
	32,687

38 NON-CASH TRANSACTION

During the year, the Company acquired 4,083,333 issued ordinary shares of Singamas Refrigerated at a consideration of US$1,300,000, which was satisfied by the issue of 3,016,000 ordinary shares of the Company at a consideration of US$1,297,000 and the cash payment of US$3,000.

39 RELATED PARTY TRANSACTIONS

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

	2003 US$'000	2002 US$'000
Sales to ultimate holding company *(note a)*	**17**	192
Sales to a fellow subsidiary *(note a)*	**1,495**	1,588
Sales to related companies *(note a)*	**9,850**	10,234
Rental paid to a ultimate holding company *(note b)*	**–**	14

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. These transactions have been reviewed and confirmed by the Independent Non-executive Directors of the Company. 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; Xiamen Superchain Logistics Development Co., Ltd., an investment of the Company in which the Company holds 6.83% shareholding; and Xiamen Xiangyu PIL Total Logistics Co., Ltd., in which PIL has beneficial interest.

(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. 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 27. 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.

40 OFF-BALANCE SHEET INSTRUMENTS

As at 31st December, 2003, the Company has outstanding interest rate swap with its notional amount of US$40 million (2002: nil). This off-balance sheet instrument was entered into to hedge against the floating rate interest risk for a term loan granted for the financing of the Company's business acquisitions.