

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting to the shareholders their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2004.

Principal Activities

The principal activities of the Company are investment holding and provision of management services to its subsidiaries, associates and jointly controlled entities. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 18, 20 and 21, respectively to the financial statements.

An analysis of the Group's turnover and contribution to profit before taxation for the year ended 31st December, 2004 by principal activity is as follows:

Analysis by principal activity

	Turnover US\$'000	Contribution to profit before taxation US\$'000
Container manufacturing	498,228	24,204
Logistics services		
Container depot/terminal	14,945	5,190
Mid-stream	19,620	3,144
	<u>532,793</u>	<u>32,538</u>
Finance costs		(5,193)
Investment income		1,221
Share of results of associates		1,285
Share of results of jointly controlled entities		<u>21,837</u>
Profit before taxation		<u>51,688</u>

An analysis of the Group's turnover for the year ended 31st December, 2004 by geographical market is as follows:

Analysis by geographical market

	Turnover US\$'000
Europe	155,210
Hong Kong	135,819
United States	87,779
PRC (other than Hong Kong and Taiwan)	38,530
Taiwan	33,386
Singapore	24,195
Others	<u>57,874</u>
	<u>532,793</u>

Results and Appropriations

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 33.

The Directors recommend the payment of a final dividend of HK12 cents per share (2003: HK6 cents per share). Together with the interim dividend of HK4 cents per share (2003: HK3 cents per share), total dividend for the year was HK16 cents (2003: HK9 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend is payable on or before 29th July, 2005 to those shareholders whose names appear on the Register of Members of the Company on Thursday, 19th May, 2005. The register of members of the Company will be closed from Friday, 13th May, 2005 to Thursday, 19th May, 2005, both days inclusive, during which period no transfer of shares will be effected.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 79 to 80.

Reserves

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

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities

Particulars regarding the principal subsidiaries, associates and jointly controlled entities of the Company are set out in notes 18, 20 and 21, respectively to the financial statements.

Liquidity and Financial Resources

As at 31st December, 2004, the Group had bank balances and cash of US\$69,466,000 (2003: US\$44,485,000) and total interest-bearing borrowings of US\$108,437,000 (2003: US\$119,203,000). This represented a gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over shareholders' funds, of 0.6 (2003: 1.14) and a net debt to equity ratio, calculated on the basis of the Group's net interest-bearing borrowings (after deducting bank balances and cash of US\$69,466,000) over the shareholders' fund, of 0.22 (2003: 0.72). Despite the substantial increase in working capital requirements as a result from rising material costs and strong container demand, total interest-bearing borrowings decreased from 2003. The Company completed a share placement in October 2004 and raised a total of approximately HK\$338,500,000 (or equivalent to approximately US\$43,400,000) mainly for the relocation and expansion of Tianjin Pacific Container Co., Ltd ("Tianjin Pacific") and construction of a new container factory in Eastern Guangdong Province. The Company will inject, in stages, the investment cost of these two projects in 2005. Prior to the financial year ended 31st December, 2004 and before the payment of the aforesaid investment cost, the Company used the US\$43.4 million net proceeds from the share placement received in October 2004 to repay some of the outstanding working capital loans; thereby, reduced the Group's total interest-bearing borrowings. The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 16.09 times in 2004, compared to 11.45 times in 2003.

Treasury Policies

The Group maintains a conservative approach on foreign exchange exposure management. The Group's revenues are mostly transacted in US\$ and the Group maintains cash balances mainly in US\$, same is true for its machinery and material purchases. To a much lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. The majority of the Group's borrowings, approximately 94.1 per cent. of the total as at 31st December, 2004 was in US\$ with the balance mainly in RMB. This policy adheres to the Group's principle to match its revenue stream with borrowings in same currency to minimise currency exposure.

The majority of the Group's borrowings is arranged on a short term revolving basis for the financing of the Group's daily working capital requirements. Of the total borrowings as at year end date, the maturity profile spread over a period of three years with US\$68,087,000 repayable within one year and US\$40,350,000 within two to three years. The Group's borrowings are principally on a floating rate basis. As at 31st December, 2004, the Company has outstanding interest rate swap with its notional amount of US\$40 million (2003: US\$40 million) to hedge against the floating rate interest risk for a term loan granted for the financing of various business acquisitions of the Company.

Bank Borrowings

Details of bank borrowings of the Group and the Company are set out in note 30 to the financial statements. No interest was capitalised by the Group during the year.

Capital Expenditure

To capture a larger market share and maintain its competitiveness and product quality, the Group incurred a total of US\$16 million in capital expenditure during the year, which was largely used in the purchase of property, plant and equipment for the expansion of the production capacity and replacement of the existing assets.

Acquisitions

During 2004, the Group made the following acquisitions and disposals:

- disposed 23 per cent. equity interest in Xiamen Xiangyu Singamas Container Co., Ltd. ("XXSC") (a container depot in Xiamen, the PRC) in exchange for 6,990,000 new ordinary shares of Xiamen Superchain Logistics development Co., Ltd. ("Xiamen Superchain") (a container logistics company in Xiamen, the PRC);
- acquired an additional 30 per cent. equity interest in Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da") (a dry freight container manufacturing factory in Shunde, Foshan, the PRC); and
- acquired an additional 40 per cent. equity interest in Tianjin Singamas Container Co., Ltd. ("TSCL") (a container depot in Tianjin, the PRC).

As at the balance sheet date, the first two investments were completed.

Report of the Directors (Continued)

The aforesaid investments were and will be financed internally and by bank borrowings on a medium term committed basis.

On 26th March, 2004, Singamas Terminals (China) Limited ("STCL"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Xiamen Superchain, in which the Company was holding 6.83 per cent. equity interest at that time, and Xiamen Xiangyu Group Corporation ("Xiamen Xiangyu"). Pursuant to the share transfer agreement, STCL transferred its 23 per cent. equity interest in XXSC, which was a 51 per cent. owned-subsiary of STCL, to Xiamen Superchain for a consideration of RMB8.3 million (equivalent to approximately US\$1 million) and Xiamen Xiangyu transferred its entire 30 per cent. equity interest in XXSC to Xiamen Superchain at a consideration of RMB10.8 million (equivalent to approximately US\$1.3 million). Xiamen Superchain paid the aforesaid considerations by the issue of its 6,990,000 and 9,120,000 new ordinary shares to STCL and Xiamen Xiangyu, respectively. Since Xiamen Xiangyu was a substantial shareholder of XXSC, holding 30 per cent. equity interest in XXSC and was a controlling shareholder of Xiamen Superchain, holding 69.23 per cent. equity interest in Xiamen Superchain, Xiamen Xiangyu was a connected person and the entering into this agreement constituted a connected transaction under Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). 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 in July 2004, the Group's effective equity interest in Xiamen Superchain increased from 6.83 per cent. to 14.02 per cent. and on the other hand, its equity interest in XXSC decreased from 51 per cent. to 28 per cent..

On 7th May, 2004, the Company entered into a share transfer agreement with SSCMC Transportation Company Limited ("SSCMC Transportation") under which the Company agreed to purchase from SSCMC Transportation a 30 per cent. equity interest in Shun An Da at a consideration of US\$5,400,000 for cash which has been funded by internal resources of the Group. In view that SSCMC Transportation was a substantial shareholder of Shun An Da holding 30 per cent. equity interest in Shun An Da, SSCMC was a connected person and the entering into this agreement constituted a connected transaction under the Listing Rules. As each of the percentage ratios of the five size tests performed exceeded 2.5 per cent. and HK\$10,000,000, the entering of this agreement also constituted a discloseable transaction under the Listing Rules and the transaction would normally be subject to independent shareholders' approval under the Listing Rules. Pacific International Lines (Private) Limited ("PIL"), who was not interested in this transaction other than its shareholding in the Company, is the controlling shareholder of the Company and it had given a written certificate that they would vote in favour of the resolution to approve this transaction. Accordingly, the Company had applied to the Stock Exchange for and been granted a waiver from the requirement for this transaction to be approved by shareholders at a general meeting. Details of this connected and discloseable transaction have been disclosed by way of a press notice in compliance with the Listing Rules. Upon completion of this transaction in June 2004, Shun An Da has become a wholly-owned subsidiary of the Company.

On 21st December, 2004, STCL, entered into a share transfer agreement with Tianjin Municipality Tanggu District Wu Jia Yuan Container Warehousing and Transportation Corporation ("TMJY") under which STCL agreed to purchase from TMJY a 40 per cent. equity interest in TSCL at a consideration of RMB6,998,236 in cash which has been funded by internal resources of the Group. The consideration represented approximately 18 per cent. discount to the net assets of TSCL as at 31st December, 2003. In view that TMJY was a substantial shareholder of TSCL holding 40 per cent. equity interest in TSCL, TMJY was a connected person and the entering into this agreement constituted a connected transaction under 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, TSCL will become a wholly-owned subsidiary of the Group.

Continuing Connected Transaction

Singamas Terminals (Hong Kong) Limited ("STHK"), a company engages in the business of provision of mid-stream services and a wholly-owned subsidiary of the Company, has been providing mid-stream services to Pacific International Lines (H.K.) Limited ("PILHK") under a terminal agreement dated 1st January, 2004 (the "2004 Agreement"), which was expired on 31st December 2004. On 12th January, 2005, STHK entered into a terminal agreement (the "Terminal Agreement") with PILHK to take effect retrospectively from 1st January, 2005, for a term of three years. The Terminal Agreement has replaced the 2004 Agreement. PILHK, a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors and shareholders of PIL, have beneficial interests, is an associate of PIL, the controlling and substantial shareholder of the Company, as defined under the Listing Rules. Accordingly, PILHK is a connected person of the Company under the Listing Rules. The 2004 Agreement and the Terminal Agreement involve transactions, which occur on a recurring basis over a period of time; therefore, the transactions constitute continuing connected transactions of the Company under the Listing Rules and will normally subject to the requirements of reporting, announcement and independent shareholders' approval under the Listing Rules.

It is estimated that the amount of STHK's transactions with PILHK, on annual basis, for the three years commencing 1st January, 2005 will exceed 1 per cent. threshold in Rule 14A.31(7) but will not exceed 2.5 per cent. for each of the percentage ratios, other than the profits ratio, in the threshold tests in Rule 14A.34 of the Listing Rules. Accordingly, the transactions are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirements. Details of these continuing connected transactions have been disclosed by way of a press notice in compliance with the Listing Rules.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and are in the opinion that:—

- (1) such continuing connected transactions have been and are entered into in the ordinary and usual course of business of the Group, conducted on normal commercial terms and entered into in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and on terms no less favourable than those available to or from independent third parties; and
- (2) The total amount of such transactions for the year ended 31st December, 2004 did not exceed the annual cap of HK\$56 million.

The auditors of the Company have issued a letter to the Directors in relation to the compliance of the conditions prescribed in the Listing Rules in respect of the continuing connected transactions as mentioned above.

Share Placement

A Placing Agreement and a Subscription Agreement were entered into on 19th October, 2004.

Under the terms of the Placing Agreement, a total of 88,811,000 existing shares held originally by PIL was placed to independent parties at the price of HK\$3.93 per share ("Placing Price"). Pursuant to the Subscription Agreement, PIL subscribed for 88,811,000 new shares ("New Shares") issued by the Company at HK\$3.81 per share, arrived at the equivalent of the Placing Price net of expenses related to the Placing.

Report of the Directors (Continued)

Immediately after the completion of the Placing and Subscription, the issued share capital of the Company was enlarged by the allotment of the New Shares. As a result, PIL's shareholding interest in the Company at that time was diluted from approximately 55.38 per cent. to 47.33 per cent. of the issued share capital.

The net proceeds from the completion of the Placing and Subscription were approximately HK\$338.5 million (or equivalent to approximately US\$43.4 million), which were largely intended to be used for:

- (1) the relocation and expansion of a dry freight and specialised container factory in Tianjin operated by Tianjin Pacific in which the Company holds 90 per cent. equity interest (the remaining 10 per cent. is held by Sinotrans Tianjin Group Co. Ltd., a company incorporated in the PRC). By relocating this factory to a place nearer to a port and expanding this factory, the maximum annual production capacity of this factory is expected to increase from 50,000 TEUs to 120,000 TEUs; and
- (2) financing the land and related construction costs for the establishment of a new dry freight container factory in Eastern Guangdong Province. This factory is expected to have a maximum annual production capacity of 250,000 TEUs with two production lines.

Charges on Assets

As at 31st December, 2004, certain assets of the Group with aggregate carrying value of US\$13,216,000 (2003: US\$7,681,000) were pledged as securities for credit facilities granted by banks to subsidiaries in the PRC.

Contingent Liabilities

During 2004, the Company provided guarantees to banks as securities for bank facilities granted to certain subsidiaries and jointly controlled entities in the PRC. As at 31st December, 2004, total amount of bank facilities, of which guarantees were provided, utilised by the jointly controlled entities was US\$50,811,000.

Share Capital

During the year, the Company issued a total of 88,811,000 new ordinary shares. Details of share capital are set out in note 28 to the financial statements.

Directors

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

Mr. Chang Yun Chung (*also known as Mr. Teo Woon Tiong*)

Mr. Teo Siong Seng

Mr. Hsueh Chao En

Mr. Jin Xu Chu (*appointed on 31st December, 2004*)

Mr. Teo Tiou Seng

Mr. Kuan Kim Kin[#]

Mr. Ngan Man Kit, Alexander^{*}

Mr. Ong Ka Thai^{*}

Mr. Soh Kim Soon^{*}

^{*} Independent Non-Executive Director

[#] Non-Executive Director

Report of the Directors (Continued)

In accordance with the provisions of the Company's Articles of Association, every Director not being a managing director shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The term of office for Independent Non-Executive Directors of the Company are subject to retirement and re-election at annual general meetings in accordance with the Company's Articles of Association.

The Company has received annual confirmation of independence from Messrs. Ngan Man Kit, Alexander, Ong Ka Thai and Mr. Soh Kim Soon and considered these Directors as independent.

Audit Committee

Pursuant to the requirements of the Listing Rules, an Audit Committee of the Company was established on 24th August, 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants in December 1997. During the year under review, the Committee met three times.

The Audit Committee is answerable to the Board and the principal duties of the Committee include the review of the Company's financial reporting process and internal controls.

Directors' Interests

As at 31st December, 2004, the interests or short positions of the Directors of the Company in the shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Number of Ordinary Shares of HK\$0.10 each		Percentage of Issued Shares
		Personal Interest	Corporate Interest	
Mr. Chang Yun Chung	Beneficial Owner	–	291,984,178 (Note)	47.77
Mr. Teo Siong Seng	Beneficial Owner	13,234,000	–	2.17

Note: These shares are held by PIL (an associated corporation, within the meaning of Part XV of the SFO, of the Company) in which Mr. Chang Yun Chung is interested in aggregate, in 16,560,000 shares representing 89.42 per cent. of the issued share capital of PIL. Mr. Chang Yun Chung's interest in shares of PIL comprises a personal interest in 2,642,500 shares and corporate interests in 5,850,000 shares through South Pacific International Holdings Limited, a company in which he holds 5.77 per cent. of the issued share capital and 8,067,500 shares through Y. C. Chang & Sons Private Limited, a company in which he holds 2.86 per cent. of the issued share capital. Messrs. Teo Siong Seng and Teo Tiou Seng, directors of the Company, both of their interests in shares of PIL comprise personal interests in 120,000 shares and 80,000 shares respectively and representing 0.65 per cent. and 0.43 per cent. of the issued share capital of PIL.

Report of the Directors (Continued)

Other than those disclosed in note 39 to the financial statements (which were approved by the Independent Non-Executive Directors and in the opinion of the Directors were carried out on normal commercial terms and in ordinary course of the Group's business), no contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of Directors, nor their associates, had any other interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company or the Stock Exchange; and none of the Directors, nor their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Substantial Shareholders' Interests

As at 31st December, 2004, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any director of the Company, the following persons (other than the interests of certain Directors disclosed under the section headed "Directors' Interests" above), had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the issued share capital of the Company, carrying rights to vote in all circumstances at general meetings of the Company together with the number of shares in which they were deemed to be interested were:

Name	Notes	Number of Ordinary Shares of HK\$0.10 Each		Percentage of Total Issued Shares
		Direct Interest	Indirect Interest	
J.P. Morgan Chase & Co.	(1)	–	47,816,832(L)#	7.82
		–	14,808,832(P)#	2.42
Madam Lee Kheng Wah	(2)	–	291,984,178(L)#	47.77
PIL	(3)	291,984,178(L)#	–	47.77
Y.C. Chang & Sons Private Limited	(4)	–	291,984,178(L)#	47.77

(L) - Long Position; (P) - Lending Pool

Notes:

- (1) *These shares in which J.P. Morgan Chase & Co. is deemed to be interested, were held via J.P. Morgan Fleming Asset Management Holdings Inc., JF International Management Inc., JF Asset Management (Taiwan) Limited, JF Asset Management Limited, JF Funds Limited, J.P. Morgan Fleming Asset Management (Asia) Inc. and JP Morgan Chase Bank, respectively.*
- (2) *Madam Lee Kheng Wah, as the spouse of Mr. Chang Yun Chung, is deemed to be interested in these shares.*
- (3) *A full explanation of these shares is disclosed under the section headed "Directors' Interests" above.*
- (4) *As Y.C. Chang & Sons Private Limited directly controls one-third or more of the voting rights in the shareholders' meeting of PIL, in accordance with SFO, Y.C. Chang & Sons Private Limited is deemed to be interested in PIL's interests in the Company's issued shares.*

Save as disclosed above, there was no other person known to the Directors, other than the Directors, who, as at 31st December, 2004, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Compliance with the Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this Annual Report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Compliance with the Model code

The Company has adopted a code of conduct regarding directors' securities transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, none of the Directors has not complied with, for any part of the accounting period covered by this Annual Report, the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction.

Directors' Service Agreement

As at 31st December, 2004, no Directors or proposed directors has any existing service contract or proposed service contract with the Company which is not terminable by the Company within one year without payment of compensation.

Major Customers and Suppliers

The percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

	Percentage
Percentage of purchases attributable to the Group's largest supplier	23.8
Percentage of purchases attributable to the Group's five largest suppliers	39.8
Percentage of sales attributable to the Group's largest customer	16.0
Percentage of sales attributable to the Group's five largest customers	36.6

During the year, none of the Directors or their associates or any shareholder (which to the knowledge of the Directors owns more than 5 per cent. of the Company's share capital) had an interest in the major suppliers or customers noted above.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Retirement Benefits Scheme

Details of the Retirement Benefits Schemes are set out in note 10 to the financial statements.

Particulars of Directors and Senior Management Executives

Brief biographical details of the Directors and Senior Management Executives of the Company are set out on pages 18 to 20 under the Directors and Senior Management Profile section of this Annual Report.

Remuneration Policies and Employee Relations

As at 31st December, 2004, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 5,492 (2003: 5,476) full-time employees. Staff costs (including directors' emoluments) amounted to US\$24.8 million (2003: US\$26.3 million) for the year. All full-time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus. Factory workers are being remunerated based on a basic wage plus production incentive. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. To further enhance the capability of its human resource, the Group provides on-the-job training to its employees.

Other than the subsidiaries in the PRC, neither the Company nor any of its other subsidiaries has established a labour union. The Company and its subsidiaries, however, are not subject to any collective agreements. The Group has maintained good relationships with its employees. None of the Group's employees is represented by a labour union.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 30th September, 2003, the Company and a syndicate of banks entered into a facility agreement (the "Facility Agreement") for US\$30,000,000 term loan and US\$10,000,000 revolving credit facilities, both on a term of four years. The Facility Agreement includes conditions, which continue to exist, to the effect that (i) PIL, the controlling shareholder of the Company, continues to be the single largest shareholder of the Company and (ii) PIL owns (legally or beneficially) more than 45 per cent. of the total issued share capital of the Company. A breach of any of the above conditions will constitute an event of default under the Facility Agreement. This disclosure is made in accordance with the continuing disclosure requirement under the Listing Rules.

Report of the Directors (Continued)

Disclosure Pursuant to Rule 13.22 of the Listing Rules

From 11th June, 2003 to 30th September, 2004, both dates inclusive, the Company and certain banks had entered into certain guarantee agreements for the provision of the corporate guarantees upto a maximum liability of US\$103,662,000 by the Company, on a joint and several basis, to these banks in securing certain uncommitted general banking facilities ("Banking Facilities") of Qingdao Pacific Container Co., Ltd., Shanghai Baoshan Pacific Container Co., Ltd., Tianjin Pacific Container Co., Ltd. and Xiamen Pacific Container Manufacturing Co., Ltd., the jointly controlled entities of the Group, which are treated as affiliated companies of the Company under the Listing Rules. As at 31st December, 2004, Banking Facilities utilised by these affiliated companies totalled US\$50,811,000.

As at 31st December, 2004, guarantees in the total amount of US\$103,662,000 given for banking facilities granted to its affiliated companies by the Company represented approximately 31.3 per cent. of the Company's market capitalisation, which amounted to approximately HK\$2,582,442,000 based on the average closing price of HK\$4.225 per share for the five business days immediately preceding 31st December, 2004.

The proforma combined balance sheet of the affiliated companies as at 31st December, 2004, which includes the assets and liabilities of the aforesaid four jointly controlled entities, is as follows:

	US\$'000
Non-current assets	79,392
Current assets	319,217
Current liabilities	(265,390)
Net current assets	53,827
Non-current liabilities	(4,350)
Minority interests	(69,290)
Attributable interest of the Group	59,579

Auditors

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Chang Yun Chung
Chairman

Hong Kong, 22nd March, 2005