1 GENERAL

The Company is a listed public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("HKEx"). Its ultimate and immediate holding company is Pacific International Lines (Private) Limited ("PIL"), a company incorporated in the Republic of Singapore. The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information of the annual report. The Group is principally engaged in the businesses of container manufacturing, container depot/terminal and mid-stream operations.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1st January, 2005. The application of these new and revised Standards and Interpretations has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of taxation of associates/jointly controlled entities has been changed. The changes in presentation have been applied retrospectively.

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

– business combinations (Hong Kong Financial Reporting Standards ("HKFRS") 3);
– financial instruments (Hong Kong Accounting Standards ("HKAS") 32 and HKAS 39); and
– leases (HKAS 17).

The impact of these changes in accounting policies is discussed below.

HKFRS 3 Business Combinations

Goodwill

HKFRS 3 *Business Combinations* is effective for business combinations for which the agreement date is on or after 1st January, 2005. The option of limited retrospective application of HKFRS 3 has not been taken up, thus avoiding the need to restate past business combinations.

After initial recognition, HKFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under HKAS 36 *Impairment of Assets*, impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. HKFRS 3 prohibits the amortisation of goodwill.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 3 Business Combinations (Continued)

Goodwill (Continued)

In previous years, in accordance with the predecessor standard, Statement of Standard Accounting Practice ("SSAP") 30 *Business Combinations*, goodwill arising on acquisitions prior to 1st January, 2001 had been directly written-off against accumulated profits, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional rules in HKFRS 3. With respect to goodwill previously capitalised on the consolidated balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment in accordance with HKAS 36. At 1st January, 2005, the carrying amount of amortisation accumulated before that date of US$320,000 has been eliminated, with a corresponding decrease in the cost of goodwill (see note 19).

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

No amortisation has been charged in 2005. The charge in 2004 was US$240,000.

An impairment loss of US$880,000 has been recognised in the current year in accordance with HKAS 36. Had the Group's previous accounting policy been applied in the current year, this amount would have been split between an amortisation charge of US$240,000 and an impairment loss of US$640,000. The change in accounting policy has had no impact on the profit for the year although it has resulted in a re-analysis between amortisation charge and impairment losses recognised.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

HKFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in profit or loss. HKFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

Previously, under SSAP 30, the Group released negative goodwill to income over a number of accounting periods, based on an analysis of the circumstances from which the balance resulted. Negative goodwill was reported as a deduction from assets in the consolidated balance sheet.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 3 Business Combinations (Continued)

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill) (Continued)

In accordance with the transitional rules of HKFRS 3, the Group has applied the revised accounting policy prospectively from 1st January, 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.

The carrying amount of discount on acquisition of interests in jointly controlled entities at 1st January, 2005 has been derecognised at the transition date. Therefore, an adjustment of US$5,764,000 is made to opening accumulated profits and interests in jointly controlled entities at 1st January, 2005.

Under the previous accounting policy, US$1,922,000 of discount on acquisition of interests in jointly controlled entities would have been released to income during 2005, leaving a balance of discount on acquisition of interests in jointly controlled entities of US$3,842,000 at 31st December, 2005. Therefore, the impact of the change in accounting policy in 2005 is a reduction in share of results of jointly controlled entities of US$1,922,000 and an increase in net assets at 31st December, 2005 of US$3,842,000.

HKAS 32 Financial Instruments: Disclosure and Presentation & HKAS 39 Financial Instruments: Recognition and Measurement

HKAS 32 *Financial Instruments: Disclosure and Presentation* requires retrospective application and primarily addresses the classification of a financial instrument issued by an entity and prescribes disclosure requirements of financial instruments. HKAS 39 *Financial Instruments: Recognition and Measurement* deals with recognition, measurement, derecognition of financial instruments and also prescribes requirements for hedge accounting. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects of the adoption of the requirements of HKAS 32 and HKAS 39 are summarised below:

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 32 Financial Instruments: Disclosure and Presentation & HKAS 39 Financial Instruments: Recognition and Measurement (Continued)

Investment securities

By 31st December, 2004, the Group classifed its equity securities in accordance with the benchmark treatment of SSAP 24 *Accounting for Investments in Securities*. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments", as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. In accordance with HKAS 39, investments in equity securities are classified as either financial assets at fair value through profit or loss or as available-for-sale, and are measured at subsequent reporting dates at fair value. Changes in fair values of financial assets at fair value through profit or loss are recognised in profit or loss as they arise while changes in fair values of available-for-sale investments are generally recognised in equity. The Group has applied the transitional rules in HKAS 39. At 1st January, 2005, the Group reclassified its investment securities with a carrying amount of US$1,614,000 to available-for-sale investments. The investments continue to be measured at cost less impairment losses as they constitute unquoted equity investments whose fair value cannot be reliably measured.

Derivatives

HKAS 39 requires derivative financial instruments that are within the scope of HKAS 39 to be carried at fair value at each balance sheet date, regardless of whether they are designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from non-derivative host contracts) are deemed as held for trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments for changes in fair values would depend on whether the derivative financial instruments are designated as effective hedging instruments, and if so, the nature of the item being hedged. Derivative financial instruments that do not qualify for hedge accounting are deemed as investments held for trading. Changes in fair value of such derivative financial instruments are recognised in profit or loss as they arise.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 17 Leases

Owner-occupied leasehold land

The Group has leasehold land interests in Hong Kong and land use rights in the People's Republic of China other than Hong Kong and Taiwan ("the PRC"), with self-constructed buildings erected on them for manufacturing purposes. In previous years, these property interests were included in property, plant and equipment accounted for using the cost model. In accordance with HKAS 17 these leasehold interests are classified as prepaid lease payments under operating lease, and are carried at cost and amortised over the lease term on a straight-line basis. In the absence of any transitional rules in HKAS 17, the change in accounting policy has been applied retrospectively. Where the allocation between land and building elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

At 1st January, 2004, the carrying amount of these leasehold interests was US$16,842,000.

For 2004, the amortisation charge of these leasehold interests amounted to US$361,000 (included in depreciation and amortisation expense). At 31st December, 2004, these leasehold interests amounted to US$21,795,000 was presented separately in the consolidated balance sheet as prepaid lease payments.

For 2005, the amortisation charge of these leasehold interests amounted to US$793,000 (included in depreciation and amortisation expense). At 31st December, 2005, these leasehold interests amounted to US$47,899,000 was presented separately in the consolidated balance sheet as prepaid lease payments.

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 on the results for the current and prior years are as follows:

	Year ended 31st December,	
	2005	2004
	US$'000	US$'000
Decrease in amortisation of goodwill on acquisition of additional equity interest of a subsidiary	**240**	–
Decrease in amortisation of premium on acquisition of interests in jointly controlled entities	**615**	–
Decrease in amortisation of discount on acquisition of interests in jointly controlled entities	**(1,922)**	–
Gains arising from changes in fair value of interest rate swap	**67**	–
Decrease in profit for the year	**(1,000)**	–

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The cumulative effects of the application of the new and revised Standards and Interpretations as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (Originally stated)	Effect of HKAS 1	Effect of HKAS 17	As at 31st December, 2004 (Restated)	Effect of HKFRS 3	Effect of HKAS 39	As at 1st January, 2005 (Restated)
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance sheet items							
Property, plant & equipment	90,778	–	(21,795)	68,983	–	–	68,983
Prepaid lease payments	–	–	21,795	21,795	–	–	21,795
Interests in jointly controlled entities	55,516	–	–	55,516	5,764	–	61,280
Investment in securities	1,614	–	–	1,614	–	(1,614)	–
Available-for-sale investments	–	–	–	–	–	1,614	1,614
Total effects on assets and liabilities	147,908	–	–	147,908	5,764	–	153,672
Accumulated profits	67,745	–	–	67,745	5,764	–	73,509
Minority interests	–	33,775	–	33,775	–	–	33,775
Total effects on equity	67,745	33,775	–	101,520	5,764	–	107,284
Minority interests	33,775	(33,775)	–	–	–	–	–
	33,775	(33,775)	–	–	–	–	–

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

At the date of approval of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures [2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation [2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions [2]
HKAS 39 (Amendment)	The Fair Value Option [2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts [2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HK(IFRIC) – Int 4	Determining Whether an Arrangement contains a Lease [2]
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [2]
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment [3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2006
[3] Effective for annual periods beginning on or after 1st December, 2005
[4] Effective for annual periods beginning on or after 1st March, 2006

The Group is in the process of determining whether these new and revised Standards and Interpretations will have any material impact on the financial statements of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKEx and by the Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out below.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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.

Minority interests in the net assets of consolidated subsidaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investments.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

(f) Goodwill

Capitalised goodwill arising on acquisitions prior to 1st January, 2005

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Capitalised goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on the acquisition of a subsidiary, an associate or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity over the cost of the business combination is recognised immediately in profit or loss instead of the balance sheet.

(h) 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. 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**
Leasehold land and buildings and site improvements outside Hong Kong		
– on medium term lease	20 to 50 years	Nil to 10 per cent.
– on short lease	5 years	Nil
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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

Assets under construction are stated at cost less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences where the assets are ready for their intermediate use.

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.

(i) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, comprises direct materials, and where applicable, direct labour, and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is calculated using weighted average method. Net realisable value represents the estimated selling price less estimated cost of completion and costs to be incurred in marketing, selling and distribution.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(l) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet and the Company's balance sheet when the Group and the Company become a party to the contractual provisions of the instrument.

Trade receivables, other receivables, amounts due from fellow subsidiaries, associates, jointly controlled entities and a related company and pledged deposit

Trade receivables, other receivables, amounts due from fellow subsidiaries, associates, jointly controlled entities and a related company and pledged deposit are measured at fair value on initial recognition and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments in unquoted equity investment whose fair value cannot be reliably determined are classified as available-for-sale investment and are measured at cost less impairment loss. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade payables, accruals and other payables, bills payable, amounts due to ultimate holding company, associates and jointly controlled entities

Trade payables, accruals and other payables, bills payable, amounts due to ultimate holding company, associates and jointly controlled entities are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise as they do not qualify for hedge accounting.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business less returns and allowances.

Revenue from container manufacturing operations is recognised either at the containers being delivered to customers or acceptance notes being issued by customers in accordance with the terms of the underlying sales contracts.

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

Interest income is recognised on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(n) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

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.

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 assets 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States dollars ("US$"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements and the income statement.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange difference arising on the settlement of monetary items, and on retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations including comparatives are expressed in US$ using exchange rate prevailing on the balance sheet date. Income and expense items including comparatives are translated at monthly average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisitions of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Retirement benefit costs

In respect of the subsidiaries in the PRC, the Group contributes to State-sponsored retirement benefit schemes operated by the PRC government. Contribution payable by the Group to the schemes 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.

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

(r) Borrowing costs

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

5 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the years in which such estimate has been changed.

Estimated allowance for write-down of inventories to net realisable value

The Group makes allowance for write-down of inventories based on assessment of the net realisable value of existing inventories. Allowance is made if there is an indication that the net realisable value of inventories are lower than the cost. Calculation of net realisable value requires the use of judgement and estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31st December, 2005 was US$1,691,000 after an impairment loss of US$880,000 was recognised during 2005. Details of the impairment loss calculation are provided in note 19.

Recognition of deferred tax asset in respect of unused tax losses

At the balance sheet date, the Group has unused tax losses of US$18,496,000 (2004: US$14,760,000) available for offset against future profits. No deferred tax asset has been recognised in the financial statements in respect of the unused tax losses. The recognition of deferred tax asset in respect of unused tax losses requires the use of judgement and estimates on future profit streams of the Group.

6 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial risk is mainly associated with its floating rate bank borrowings and trade receivables.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to floating rate borrowings. In order to minimise the interest rate risk, the Company has entered into an interest rate swap to hedge against the floating rate interest risk for a term loan granted for the financing of various business acquisitions of the Company.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure the adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits and derivative financial instruments is limited because the counterparties are banks or financial institutions with high credit-rating assigned by international credit-rating agencies or state-owned banks in the PRC.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

7 REVENUE

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

	2005	2004
	US$'000	US$'000
Container manufacturing	**809,166**	498,228
Container depot/terminal	**18,501**	14,945
Mid-stream	**15,269**	19,620
	842,936	532,793

8 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purpose, 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, 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.

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these businesses is presented below.

2005

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
REVENUE					
External sales	**809,166**	**18,501**	**15,269**	**–**	**842,936**
Inter-segment sales	**–**	**3,647**	**54**	**(3,701)**	**–**
Total	**809,166**	**22,148**	**15,323**	**(3,701)**	**842,936**

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
SEGMENT RESULTS	**48,572**	**5,604**	**3,228**		**57,404**
Finance costs					**(9,330)**
Investment income					**1,186**
Share of results of associates	**18**	**1,190**	**–**		**1,208**
Share of results of jointly controlled entities	**8,732**	**951**	**–**		**9,683**
Profit before taxation					**60,151**
Income tax expense	**(5,500)**	**(373)**	**(273)**		**(6,146)**
Profit for the year					**54,005**

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2005 (Continued)

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
OTHER INFORMATION				
Capital expenditure	40,646	5,708	32	46,386
Depreciation and amortisation	7,554	2,833	22	10,409
Impairment of goodwill	880	–	–	880
Allowance for write-down of inventories	7,354	–	–	7,354
Allowance for bad and doubtful debts	2,515	–	–	2,515
BALANCE SHEET				
ASSETS				
Segment assets	406,953	57,379	4,992	469,324
Interests in associates	1,441	3,978	–	5,419
Interests in jointly controlled entities	26,451	10,976	–	37,427
Unallocated assets				307
Consolidated total assets				512,477
LIABILITIES				
Segment liabilities	88,734	6,296	1,873	96,903
Unallocated liabilities				160,608
Consolidated total liabilities				257,511

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2004

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Eliminations US$'000	Total US$'000
REVENUE					
External sales	498,228	14,945	19,620	–	532,793
Inter-segment sales	–	5,026	342	(5,368)	–
Total	498,228	19,971	19,962	(5,368)	532,793

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
SEGMENT RESULTS	24,204	5,190	3,144		32,538
Finance costs					(5,193)
Investment income					1,221
Share of results of associates	(17)	1,082	–		1,065
Share of results of jointly controlled entities	19,975	853	–		20,828
Profit before taxation					50,459
Income tax expense	(2,555)	(264)	(297)		(3,116)
Profit for the year					47,343

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2004 (Continued)

	Container manufacturing US$'000	Container depot/terminal US$'000	Mid-stream US$'000	Total US$'000
OTHER INFORMATION				
Capital expenditure	12,973	2,991	7	15,971
Depreciation and amortisation	5,855	2,354	28	8,237
BALANCE SHEET				
ASSETS				
Segment assets	428,076	50,461	3,543	482,080
Interests in associates	223	3,840	–	4,063
Interests in jointly controlled entities	44,940	10,576	–	55,516
Unallocated assets				1,455
Consolidated total assets				543,114
LIABILITIES				
Segment liabilities	207,876	7,025	2,487	217,388
Unallocated liabilities				111,214
Consolidated total liabilities				328,602

The Group's total assets less current liabilities and the Group's net current assets as at 31st December, 2005 amounted to US$365,353,000 (2004: US$254,862,000) and US$171,243,000 (2004: US$100,271,000) respectively.

8 BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

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

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

	Revenue	
	2005	2004
	US$'000	US$'000
Europe	**289,122**	155,210
United States	**181,071**	87,779
Hong Kong	**167,704**	135,819
PRC	**84,404**	38,530
Korea	**39,767**	2,213
Taiwan	**26,978**	33,386
Others	**53,890**	79,856
	842,936	532,793

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, prepaid lease payments 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, prepaid lease payments and intangible assets	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
PRC	**398,886**	420,026	**41,502**	15,857
Hong Kong	**55,500**	47,069	**4,799**	31
Others	**14,938**	14,985	**85**	83
	469,324	482,080	**46,386**	15,971

9 FINANCE COSTS

	2005 US$'000	2004 US$'000
Interest on bank loans and overdrafts wholly repayable within five years	**8,373**	4,372
Bank charges	**957**	821
	9,330	5,193

10 INVESTMENT INCOME

	2005 US$'000	2004 US$'000
Interest earned on bank deposits	**1,030**	1,221
Dividend income from unlisted equity investment	**156**	–
	1,186	1,221

11 PROFIT BEFORE TAXATION

	2005 US$'000	2004 US$'000
Profit before taxation has been arrived at after charging (crediting) the following:		
Auditors' remuneration	**320**	329
Staff costs, including directors' emoluments		
– Salaries and other benefits	**35,006**	22,863
– Retirement benefit costs *(note 13)*	**1,634**	1,951
	36,640	24,814
Depreciation and amortisation		
Depreciation of property, plant and equipment	**8,652**	6,947
Amortisation		
– Patents	**170**	206
– Goodwill	**–**	240
– Other assets	**794**	483
– Prepaid lease payments in respect of leasehold land	**793**	361
	10,409	8,237
Operating lease charges		
– Land and buildings	**2,090**	1,807
– Plant and machinery	**76**	114
	2,166	1,921
Share of taxation of associates	**245**	220
Share of taxation of jointly controlled entities	**1,070**	1,009
	1,315	1,229
Impairment of goodwill (included in other expenses)	**880**	–
Allowance for bad and doubtful debts	**2,515**	–
Cost of inventories recognised as expense (including allowance for write-down of inventories of US$7,354,000 (2004: nil))	**746,134**	466,230
Gain on disposal of a subsidiary	**–**	(168)
Loss on disposal of property, plant and equipment	**271**	148
Net foreign exchange loss	**672**	29

12 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2004: 9) directors were as follows:

2005

	Chang Yun Chung US$'000	Teo Siong Seng US$'000	Hsueh Chao En US$'000	Jin Xu Chu US$'000	Teo Tiou Seng US$'000	Kuan Kim Kin US$'000	Ngan Man Kit, Alexander US$'000	Ong Ka Thai US$'000	Soh Kim Soon US$'000	Total US$'000
Fees	39	26	23	23	23	28	26	28	26	242
Other emoluments										
Salaries and other benefits	–	275	184	97	29	–	–	–	–	585
Contributions to retirement benefits scheme	–	13	–	–	2	–	–	–	–	15
Performance related incentive payments *(note)*	–	1,122	15	9	–	–	–	–	–	1,146
	39	1,436	222	129	54	28	26	28	26	1,988

2004

	Chang Yun Chung US$'000	Teo Siong Seng US$'000	Hsueh Chao En US$'000	Jin Xu Chu US$'000	Teo Tiou Seng US$'000	Kuan Kim Kin US$'000	Ngan Man Kit, Alexander US$'000	Ong Ka Thai US$'000	Soh Kim Soon US$'000	Total US$'000
Fees	32	26	23	23	23	26	23	26	26	228
Other emoluments										
Salaries and other benefits	–	261	189	–	22	–	–	–	–	472
Contributions to retirement benefits scheme	–	13	–	–	1	–	–	–	–	14
Performance related incentive payments *(note)*	–	990	15	97	4	–	–	–	–	1,106
	32	1,290	227	120	50	26	23	26	26	1,820

Note: The performance related incentive payments are determined as a percentage of the net profit of the Group for the respective years.

12 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

The above analysis includes 3 (2004: 3) 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:–

	2005 US$'000	2004 US$'000
Salaries and other benefits	283	268
Retirement benefit costs	13	13
	296	281

Their emoluments were within the following band:

	2005 Number of individuals	2004 Number of individuals
US$128,574 – US$192,859 (HK$1,000,001 – HK$1,500,000)	2	2

13 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 scheme for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme 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 MPF scheme 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 State-sponsored retirement benefit schemes operated by the government in the PRC. Subsidiaries are required to contribute a certain percentage of relevant payroll to the retirement benefit schemes. Obligations under the scheme are borne by the PRC Government.

Retirement benefits are provided for all local permanent employees of a subsidiary in Indonesia based on the Indonesian 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 schemes in the PRC and the retirement benefits provided for the employees of a subsidiary in Indonesia amounted to US$1,634,000 (2004: US$1,951,000). At the balance sheet date, contributions payable to the retirement schemes totalling US$129,000 (2004: US$613,000) and retirement benefit provision made for the local employees in Indonesia totalling US$892,000 (2004: US$908,000) are included in accruals and other payables.

Forfeited contributions of the Group's defined contribution retirement schemes in the amount of US$nil (2004: US$10,000) were used to reduce the current year's contributions. At the balance sheet date, the Group had no forfeited contributions, which arose from the employees leaving the retirement schemes and which are available to reduce the contribution payable by the Group in the future years.

14 INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided for at the rate of 17.5 per cent. (2004: 17.5 per cent.) of the estimated assessable profit for the year.

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

	2005	2004
	US$'000	US$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**295**	318
Overseas taxation		
– Current year	**6,190**	2,849
– Prior year overprovision	**(305)**	(74)
	6,180	3,093
Deferred tax:		
Current year (credit) charge	**(34)**	23
Income tax expense for the year	**6,146**	3,116

14 INCOME TAX EXPENSES (Continued)

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

	2005		2004	
	US$'000	%	US$'000	%
Profit before taxation	60,151		50,459	
Tax at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	10,526	17.5	8,830	17.50
Tax effect of share of results of associates	(211)	(0.35)	(186)	(0.37)
Tax effect of share of results of jointly controlled entities	(1,695)	(2.82)	(3,645)	(7.22)
Tax effect of expenses that are not deductible in determining taxable profit	874	1.45	815	1.62
Tax effect of income that is not taxable in determining taxable profit	(795)	(1.32)	(614)	(1.22)
Tax effect on tax losses arising in the current year not recognised	671	1.12	596	1.18
Tax effect of utilisation of tax losses not previously recognised	(162)	(0.27)	–	–
Overprovision in prior years	(305)	(0.51)	(74)	(0.15)
Tax effect on reduction of tax rate as a temporary relief	(2,163)	(3.60)	(1,149)	(2.28)
Effect of different tax rates of subsidiaries, operating in other jurisdictions	(569)	(0.94)	(1,450)	(2.87)
Others	(25)	(0.04)	(7)	(0.01)
	6,146	10.22	3,116	6.18

15 DIVIDEND

	2005 US$'000	2004 US$'000
Interim paid:		
HK9 cents (2004: HK4 cents) per ordinary share	**7,071**	2,679
Final proposed:		
HK9 cents (2004: HK12 cents) per ordinary share	**7,095**	9,431
	14,166	12,110

The final dividend of HK9 cents (2004: HK12 cents) per share, totalling US$7,095,000 (2004: US$9,431,000), has been proposed by the Directors based on shares in issue and is subject to approval by the shareholders in general meeting.

16 EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2005 US$'000	2004 US$'000
Earnings:		
Earnings for the purposes of calculating earnings per share	**44,899**	39,636
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating earnings per share	**611,228,760**	537,947,552

There were no potential dilutive shares throughout the both years presented.

17 PROPERTY, PLANT AND EQUIPMENT

Group	Assets under construction US$'000	Freehold land US$'000	Leasehold land and buildings US$'000	Plant and machinery US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost							
At 1st January, 2004, as originally stated	5,374	3,283	54,117	50,421	4,899	5,490	123,584
Effect of changes in accounting policies	–	–	(17,473)	–	–	–	(17,473)
As restated	5,374	3,283	36,644	50,421	4,899	5,490	106,111
Additions	5,334	–	1,415	2,067	148	523	9,487
Disposals	–	–	(23)	(409)	(375)	(1,487)	(2,294)
Eliminated on disposal of a subsidiary	(5)	–	(1,622)	(2,157)	(186)	(147)	(4,117)
Transfer from assets under construction	(6,694)	–	5,461	893	39	301	–
Translation differences	–	–	(2)	(1)	(1)	(1)	(5)
At 31st December, 2004	4,009	3,283	41,873	50,814	4,524	4,679	109,182
Additions	12,344	–	6,628	1,878	690	579	22,119
Disposals	–	–	(1,720)	(565)	(199)	(785)	(3,269)
On consolidation of former jointly controlled entities *(note 41)*	4,252	–	9,009	23,038	404	1,723	38,426
Transfer from assets under construction	(3,458)	–	838	2,070	61	489	–
Translation differences	91	–	306	225	27	16	665
At 31st December, 2005	17,238	3,283	56,934	77,460	5,507	6,701	167,123
Accumulated depreciation							
At 1st January, 2004, as originally stated	–	–	9,389	21,590	3,582	3,138	37,699
Effect of changes in accounting policies	–	–	(631)	–	–	–	(631)
As restated	–	–	8,758	21,590	3,582	3,138	37,068
Charge for the year	–	–	1,673	4,328	341	605	6,947
Eliminated on disposals	–	–	(23)	(366)	(339)	(1,340)	(2,068)
Eliminated on disposal of a subsidiary	–	–	(528)	(991)	(118)	(106)	(1,743)
Translation differences	–	–	(2)	(2)	(1)	–	(5)
At 31st December, 2004	–	–	9,878	24,559	3,465	2,297	40,199
Charge for the year	–	–	2,142	5,334	428	748	8,652
Eliminated on disposals	–	–	(705)	(483)	(132)	(702)	(2,022)
On consolidation of former jointly controlled entities *(note 41)*	–	–	3,106	16,291	204	992	20,593
Translation differences	–	–	50	73	13	8	144
At 31st December, 2005	–	–	14,471	45,774	3,978	3,343	67,566
Net book value							
At 31st December, 2005	17,238	3,283	42,463	31,686	1,529	3,358	99,557
At 31st December, 2004	4,009	3,283	31,995	26,255	1,059	2,382	68,983

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

Plant and machinery with an aggregate net book value of US$708,000 as at 31st December, 2005 (2004: US$720,000) were pledged as security for loan facilities granted by banks to subsidiaries in the PRC. The amount of facilities utilised as at 31st December, 2005 was US$nil (2004: US$3,262,000).

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

	Freehold land	Leasehold land and buildings	Site improvements	Total
	US$'000	US$'000	US$'000	US$'000
Group				
At 31st December, 2005				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	12	12
On medium term lease (10 to 50 years)	–	–	–	–
Held outside Hong Kong				
On medium term lease (20 to 50 years)	3,283	6,039	36,412	45,734
	3,283	6,039	36,424	45,746
At 31st December, 2004				
Held in Hong Kong				
On short lease (less than 10 years)	–	–	18	18
On medium term lease (10 to 50 years)	–	–	–	–
Held outside Hong Kong				
On medium term lease (20 to 50 years)	3,283	1,987	29,990	35,260
	3,283	1,987	30,008	35,278

Land and buildings together with the prepaid lease payments (note 27) held outside Hong Kong with net book value of US$4,123,000 (2004: US$4,443,000) and US$1,231,000 (2004: US$1,263,000) respectively as at 31st December, 2005 were pledged as security for loan facilities granted by banks to subsidiaries in the PRC.

The amount of facilities utilised as at 31st December, 2005 was US$4,000,000 (2004: US$2,000,000).

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings	Furniture, fittings and office equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000
Company				
Cost				
At 1st January, 2004	–	1,022	246	1,268
Additions	–	23	–	23
Disposals	–	(4)	–	(4)
At 31st December, 2004	–	1,041	246	1,287
Additions	4,287	484	–	4,771
Eliminated on disposals	–	(86)	–	(86)
At 31st December, 2005	4,287	1,439	246	5,972
Accumulated depreciation				
At 1st January, 2004	–	835	79	914
Charge for the year	–	70	44	114
Disposals	–	(4)	–	(4)
At 31st December, 2004	–	901	123	1,024
Charge for the year	56	133	37	226
Eliminated on disposals	–	(86)	–	(86)
At 31st December, 2005	56	948	160	1,164
Net book value				
At 31st December, 2005	4,231	491	86	4,808
At 31st December, 2004	–	140	123	263

18 PATENTS

Group	**US$'000**
Cost	
At 1st January, 2004, 31st December, 2004 and 31st December, 2005	3,031
Amortisation	
At 1st January, 2004	1,805
Charge for the year	206
At 31st December, 2004	2,011
Charge for the year	170
At 31st December, 2005	2,181
Net book value	
At 31st December, 2005	850
At 31st December, 2004	1,020

19 GOODWILL

Group	US$'000
Cost	
At 1st January, 2004 and 31st December, 2004	1,200
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(320)
Arising on consolidation of a former jointly controlled entity (transfer from premium on acquisition of a former jointly controlled entity)	1,691
At 31st December, 2005	2,571
Amortisation	
At 1st January, 2004	80
Charge for the year	240
At 31st December, 2004	320
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(320)
At 31st December, 2005	–
Impairment	
Impairment loss recognised in the year ended 31st December, 2005 and balance at 31st December, 2005	880
Net book value	
At 31st December, 2005	1,691
At 31st December, 2004	880

Goodwill acquired in a business combination is allocated, at acquisition, to two container manufacturing factories that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

19 GOODWILL (Continued)

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 2 per cent.. The rate used to discount the forecast cash flows is 7 per cent..

At 31st December, 2005, before impairment testing, goodwill of US$880,000 was allocated to the manufacturing of refrigerated containers business. Due to the decrease in the expected future cash inflow from the relevant business, the Group has reduced its recoverable amount through recognition of an impairment loss against goodwill of US$880,000.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	US$'000	US$'000
Unlisted shares and investments, at cost	**125,573**	62,347

20 INTERESTS IN SUBSIDIARIES (Continued)

Particulars of principal subsidiaries as at 31st December, 2005 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
Foshan 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. *	British Virgin Islands	100%	US$1,000	Marketing dry freight containers in the PRC
Guangdong Shun An Da Pacific Container Co., Ltd. * △	PRC	100%	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
Hui Zhou Pacific Container Co., Ltd. * △	PRC	100%	US$31,000,000	Manufacturing of dry freight containers
Ningbo Pacific Container Co., Ltd. * △	PRC	100%	US$10,000,000	Manufacturing of dry freight containers

20 INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share / contributed capital	Principal activities
PT. Java Pacific	Indonesia	72%	US$10,000,000	Manufacturing of dry freight containers
Shandong International Singamas Container Co., Ltd. #	PRC	60%	US$2,000,000	Provision of container storage and repair services
Shanghai Baoshan Pacific Container Co., Ltd. #	PRC	74%	US$25,300,000	Manufacturing of dry freight containers
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
Singamas Container Holdings Ltd. *	Bahamas	100%	US$7,200,000	Investment holding and marketing of dry freight 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

20 INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share / contributed capital	Principal activities
Singamas Refrigerated Container Ltd. *	British Virgin Islands	100%	Ordinary US$100,000	Investment holding
		100%	Redeemable preferred US$19,400,000	
Singamas Terminals (China) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding and marketing of container depot services in the PRC
Singamas Terminals Holdings Ltd. *	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (HK) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (Hong Kong) Ltd.	Hong Kong	100%	Ordinary HK$5,000,000	Provision of mid-stream services
Singamas Warehouse (Shanghai) Company Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Tianjin Pacific Container Co., Ltd. * #	PRC	97%	US$25,700,000	Manufacturing of dry freight and specialised containers
Tianjin Singamas Container Co., Ltd. * △	PRC	100%	US$2,000,000	Provision of container storage, repair and trucking services, and serving as a freight station

20 INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share / contributed capital	Principal activities
Wellmass Group Ltd.	British Virgin Islands	60%	US$10,000	Investment holding
Yixing Singamas Metal Products Co., Ltd. * #	PRC	95%	US$200,000	Manufacturing of container parts

* *Subsidiaries held directly by the Company.*
\# *Equity joint venture established in the PRC in accordance with relevant laws and regulations.*
△ *Wholly owned foreign enterprise established in the PRC in accordance with relevant laws and regulations.*

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.

As a result of certain amendments to the terms of the relevant joint venture agreements, the Group took control over the respective board of directors but without any change in the Group's effective interest in Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") and Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific"), former jointly controlled entities of the Group, Shanghai Baoshan and Tianjin Pacific have become the subsidiaries of the Group since 1st January, 2005 and 1st August, 2005 respectively.

21 AMOUNTS DUE FROM/TO SUBSIDIARIES

Company

The amounts due from subsidiaries are unsecured and repayable on demand. Included in the amounts due from subsidiaries is an amount of approximately US$39,664,000 (2004: US$58,484,000) 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. The Directors consider that the carrying amounts approximate their fair value.

22 INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments:				
At cost	**4,109**	2,909	**9,957**	8,757
Share of post-acquisition reserves, net of dividend received	**1,310**	1,154	**–**	–
	5,419	4,063	**9,957**	8,757

Particulars of principal associates as at 31st December, 2005 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
Dong Fang International Container (Jin Zhou) Co., Ltd. * #	Incorporated	PRC	20%	16.7%	Manufacturing of dry freight containers
Ningbo Victory Container Co., Ltd. #	Incorporated	PRC	40%	40%	Provision of container storage and repair services
Singamas Thai Logistics Co., Ltd. *	Incorporated	Thailand	25%	25%	Provision of container storage and repair services
Xiamen Xiangyu Singamas Container Co., Ltd. #	Incorporated	PRC	28%	28.6%	Provision of container storage, repair and trucking services, and serving as a freight station
Yixing Goldrich Welding Metal Co., Ltd. * #	Incorporated	PRC	30%	33.3%	Manufacturing of welding parts

* *Held directly by the Company.*

\# *Equity joint venture established in the PRC in accordance with relevant laws and regulations.*

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

22 INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of the Group's associates is set out below:

	2005 US$'000	2004 US$'000
Total assets	**21,366**	17,920
Total liabilities	**(7,500)**	(5,646)
Net assets	**13,866**	12,274
Group's share of associates' net assets	**5,419**	4,063

	2005 US$'000	2004 US$'000
Revenue	**18,120**	14,212
Profit for the year	**3,497**	3,044
Group's share of associates' profit for the year	**1,208**	1,065

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments:				
At cost	**24,660**	27,836	**14,952**	20,839
Share of post-acquisition reserves, net of dividend received	**12,767**	27,680	**–**	–
	37,427	55,516	**14,952**	20,839

Premium (discount) arising on acquisition of jointly controlled entities included in cost of investments:

	Group	
	Premium	**Discount**
	US$'000	US$'000
Cost		
At 1st January, 2004 and 31st December, 2004	2,972	(9,590)
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(1,515)	3,826
Arising on acquisition of additional equity interest of a jointly controlled entity	234	–
Elimination on consolidation of a former jointly controlled entity	(1,691)	–
Derecognised due to the adoption of HKFRS3	–	5,764
At 31st December, 2005	–	–
Amortisation		
At 1st January, 2004	920	(1,904)
Charge (credit) for the year	595	(1,922)
At 31st December, 2004	1,515	(3,826)
Elimination of amortisation accumulated prior to the adoption of HKFRS 3	(1,515)	3,826
At 31st December, 2005	–	–
Net book value		
At 31st December, 2005	–	–
At 31st December, 2004	1,457	(5,764)

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Particulars of principal jointly controlled entities which are established in the PRC, except for Singamas North America, Inc., which is incorporated in the United States of America, as at 31st December, 2005 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. #	40%	40%	Provision of container storage and repair services
Qingdao Pacific Container Co., Ltd. * #	55%	60%	Manufacturing of dry freight and specialised containers
Shanghai Jifa Logistics Co., Ltd. #	25%	22.2%	Provision of container storage, repair and logistics services
Singamas North America, Inc.	50%	50%	Marketing containers in the USA
Xiamen Pacific Container Manufacturing Co., Ltd. * #	40%	42.9%	Manufacturing of dry freight containers

* *Held directly by the Company.*
\# *Equity joint venture established in the PRC in accordance with relevant laws and regulations.*

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

The voting power of the Group in respective jointly controlled entities is determined by the proportion of the Group's representatives in the board of directors of respective jointly controlled entities. For certain jointly controlled entities, though the Group possesses more than 50% of the voting power, they are subject to joint control of respective joint venture parties in accordance with the terms of the relevant joint venture agreements.

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

	2005	2004
	US$'000	US$'000
Total assets	**165,818**	380,692
Total liabilities	**(68,354)**	(264,098)
Net assets	**97,464**	116,594
Group's share of jointly controlled entities' net assets	**37,427**	55,516

	2005	2004
	US$'000	US$'000
Revenue	**301,486**	463,572
Profit for the year	**18,289**	31,851
Group's share of jointly controlled entities' profit for the year	**9,683**	20,828

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The following details have been extracted from the financial information of the Group's significant jointly controlled entities:

Operating Results

	Qingdao Pacific Container Co., Ltd.		Xiamen Pacific Container Manufacturing Co., Ltd.	
	2005 US$'000	2004 US$'000	**2005 US$'000**	2004 US$'000
Revenue	**139,385**	141,051	**77,798**	89,082
Profit from ordinary activities before taxation	**7,289**	12,193	**4,826**	7,330
Profit from ordinary activities before taxation attributable to the Group	**4,009**	6,706	**1,930**	2,932

Financial Position

	2005 US$'000	2004 US$'000	**2005 US$'000**	2004 US$'000
Non-current assets	**14,490**	13,337	**12,221**	12,863
Current assets	**52,517**	89,515	**36,390**	56,533
Current liabilities	**(38,000)**	(78,911)	**(25,948)**	(41,727)
Non-current liabilities	**–**	–	**(28)**	(3,442)
Net assets	**29,007**	23,941	**22,635**	24,227
Net assets attributable to the Group	**15,954**	13,168	**9,054**	9,691

24 INVESTMENT IN SECURITIES

The amount at 31st December, 2004 represented unquoted equity investments held by the Group and the Company which were reclassified as available-for-sale investments from 1st January, 2005 onwards in accordance with the requirements of HKAS 39.

25 AVAILABLE-FOR-SALE INVESTMENTS

The amount at 31st December, 2005 represents unquoted equity investments which are stated at cost. In the opinion of the Directors, it is not practicable to determine the fair value of the investments as no quoted market price is available.

26 DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents interest rate swap entered into by the Group.

The Company uses interest rate swap to manage its exposure to interest rate movements on its bank borrowings by swapping a portion of those borrowings from floating rate to fixed rate. As at 31st December, 2005 the Company has outstanding interest rate swap with a notional amount of US$50 million. The fair value of the swap as at 31st December, 2005 was estimated at US$67,000. This amount was estimated by the independent third party based on market price for equivalent instrument at the balance sheet date.

27 PREPAID LEASE PAYMENTS

	2005 US$'000	2004 US$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	71	73
Leasehold land outside Hong Kong:		
Medium-term lease	47,828	21,722
	47,899	21,795
Analysed for reporting purpose as:		
Amount shown under current assets	1,042	368
Amount shown under non-current assets	46,857	21,427
	47,899	21,795

28 OTHER ASSETS

	Group	
	2005	2004
	US$'000	US$'000
At 1st January	**879**	877
Acquired on consolidation of former jointly controlled entities	**150**	–
Amount capitalised	**217**	510
Eliminated on disposal of a subsidary	**–**	(25)
Amount amortised	**(794)**	(483)
At 31st December	**452**	879

29 INVENTORIES

	Group	
	2005	2004
	US$'000	US$'000
Raw materials	**71,001**	62,646
Work in progress	**7,101**	37,318
Finished goods	**37,416**	81,170
	115,518	181,134

At 31st December, 2005, raw materials and finished goods of US$40,732,000 (2004: nil) and US$17,454,000 (2004: nil) respectively were carried at net realisable value.

30 TRADE RECEIVABLES

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 aged analysis of trade receivables at 31st December, 2005 is as follows:

	Group	
	2005	2004
	US$'000	US$'000
0 to 30 days	**32,709**	22,172
31 to 60 days	**9,205**	14,006
61 to 90 days	**6,334**	10,147
91 to 120 days	**7,369**	2,305
Over 120 days	**9,516**	5,650
	65,133	54,280

The Directors consider that the carrying amount of trade receivables approximates its fair value.

31 TRADE PAYABLES

The aged analysis of trade payables at 31st December, 2005 is as follows:

	Group	
	2005	2004
	US$'000	US$'000
0 to 30 days	**16,712**	37,730
31 to 60 days	**8,650**	13,635
61 to 90 days	**4,718**	6,470
91 to 120 days	**7,152**	4,163
Over 120 days	**4,552**	4,976
	41,784	66,974

The Directors consider that the carrying amount of trade payables approximates its fair value.

32 AMOUNT DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company is as follows:

	Group		
Name	**Balance as at 31.12.2005 US$'000**	Balance as at 31.12.2004 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (H.K.) Limited	**1,072**	290	1,538

The aged analysis of amount due from a related company is as follows:

	Group	
	2005 US$'000	2004 US$'000
0 to 30 days	**635**	290
31 to 60 days	**423**	–
61 to 90 days	**10**	–
over 90 days	**4**	–
	1,072	290

Amount due from a related company represents trade receivable balances due from Pacific International Lines (H.K.) Limited ("PIL(HK)"), a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests. The balance is subject to normal credit terms of 30 days.

33 SHARE CAPITAL

	Number of shares					
	2005	2004	**2005 US$'000**	**2005 HK$'000**	2004 US$'000	2004 HK$'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	**611,228,760**	522,417,760	**7,844**	**61,123**	6,706	52,242
Shares issued for cash	**–**	88,811,000	**–**	**–**	1,138	8,881
At 31st December	**611,228,760**	611,228,760	**7,844**	**61,123**	7,844	61,123

On 29th October, 2004, 88,811,000 ordinary shares were issued at HK$3.93 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 largely used for (a) the relocation and expansion of Tianjin Pacific; and (b) financing the land and related construction costs for the establishment of a new dry freight container factory in Eastern Guangdong Province.

34 RESERVES

Company	**Share premium** US$'000	**Accumulated profits** US$'000	**Total** US$'000
At 1st January, 2004	55,735	10,740	66,475
Issue of ordinary shares on placing	43,612	–	43,612
Share issue expenses	(1,336)	–	(1,336)
Profit for the year	–	5,553	5,553
Dividend paid	–	(6,700)	(6,700)
At 1st January, 2005	98,011	9,593	107,604
Profit for the year	–	15,283	15,283
Dividend paid	–	(16,486)	(16,486)
At 31st December, 2005	98,011	8,390	106,401

Distributable reserves of the Company at 31st December, 2005, calculated under section 79B of the Companies Ordinance, amounted to US$8,390,000 (2004: US$9,593,000).

35 BANK BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings comprise the followings:				
Bank loans				
Secured				
– due within 1 year	**4,000**	12,052	**–**	–
Unsecured				
– due within 1 year	**44,015**	56,035	**7,500**	15,119
– due more than 1 year, but not exceeding 2 years	**22,887**	9,000	**21,400**	9,000
– due more than 2 years, but not exceeding 5 years	**87,500**	31,350	**87,500**	29,900
	154,402	96,385	**116,400**	54,019
Total	**158,402**	108,437	**116,400**	54,019
Less: Amount shown under current liabilities	**(48,015)**	(68,087)	**(7,500)**	(15,119)
Amount due after one year	**110,387**	40,350	**108,900**	38,900

The Group's bank borrowings are principally on a floating rate basis which carry interest at prevailing market rate. Interest is repriced every one to three months.

The ranges of effective annual interest rates for the year 2005 on the Group's bank borrowings were 2.7% to 5.8% (2004: 1.8% to 5.8%).

On 20th May, 2005, the Company has entered into a facility agreement with a syndicate of banks in request of the US$100 million term loan and revolving credit facilities for a term of five years. Repayments will commence on 20th November, 2006 and will continue until 20th May, 2010. The bank loan carries floating rate interest of London Interbank Offered Rate ("LIBOR") plus 0.625 per cent. per annum.

35 BANK BORROWINGS (Continued)

At the balance sheet date, the Group's bank borrowings are denominated in following currencies:

	2005 US$'000	2004 US$'000
United States dollars	152,206	102,090
Renminbi	6,196	6,347
	158,402	108,437

The Directors consider that the carrying amount of bank borrowings approximates its fair value.

36 DEFERRED TAX ASSETS

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, 2004	82	47	103	232
Credit (charge) to income	21	(47)	3	(23)
At 31st December, 2004	103	–	106	209
Credit (charge) to income	17	–	17	34
At 31st December, 2005	120	–	123	243

At 31st December, 2005, the Group has unused tax losses of US$18,496,000 (2004: US$14,760,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$552,000, US$408,000 and US$764,000 that will expire in 2008, 2009 and 2010 (2004: US$711,000 and US$249,000 in 2007 and 2009 respectively) respectively. Other losses may be carried forward indefinitely.

Company

No deferred tax asset has been recognised in respect of the unused tax losses of US$16,435,000 (2004: US$13,440,000) as it is not certain that the tax losses will be utilised in the foreseeable future. The tax losses may be carried forward indefinitely.

37 PLEDGED DEPOSIT

Group

Pledged deposit was pledged as security for loan facilities granted by banks to a subsidiary in the PRC.

38 CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Guarantees for bank facilities utilised by subsidiaries	**–**	–	**24,071**	28,538
Guarantees for bank facilities utilised by jointly controlled entities	**10,000**	50,811	**10,000**	50,811
	10,000	50,811	**34,071**	79,349

39 CAPITAL COMMITMENTS

	Group	
	2005	2004
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**26,334**	333
Capital expenditure in respect of business acquisition contracted but not provided for *(note)*	**27,350**	846
	53,684	1,179

Note: During 2005, the Company has established two manufacturing factories in Ningbo and Qingdao respectively with total investment cost of US$60 million. Subsequent to 31st December, 2005, the Company paid the remaining investment cost of US$19 million by its internal fund. The Group has also negotiated with certain third parties to establish joint ventures in which the Group will invest approximately US$8,350,000 to develop manufacturing facilities in the PRC.

40 OPERATING LEASE COMMITMENTS

The Group as lessee

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	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– in the 1st year	**823**	1,101	**379**	143
– in the 2nd to 5th year inclusive	**1,100**	1,457	**505**	–
– beyond 5th year	**793**	544	**–**	–
	2,716	3,102	**884**	143

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.

The Group as lessor

At the balance sheet date, certain leasehold land and buildings of the Company with an aggregate carrying amount of US$1,956,000 (2004: nil) were rented out under operating leases. Property rental income earned during the year was US$45,000 (2004: nil). These properties have committed tenants for the next one to three years.

At the balance sheet date, the Company had contracted with tenants for the following future minimum payments under non-cancellable operating leases:

	Group and Company	
	2005	2004
	US$'000	US$'000
– in the 1st year	**92**	–
– in the 2nd to 5th year inclusive	**129**	–
	221	–

41 CONSOLIDATION OF FORMER JOINTLY CONTROLLED ENTITIES

As a result of certain amendments to the terms of the relevant joint venture agreements, the Group took control over the respective boards of directors but without any change in the Group's effective interests in Shanghai Baoshan and Tianjin Pacific, former jointly controlled entities of the Group, Shanghai Baoshan and Tianjin Pacific have become subsidiaries of the Group since 1st January, 2005 and 1st August, 2005 respectively. The carrying amounts of the assets and liabilities of Shanghai Baoshan and Tianjin Pacific at the date of consolidation are summarised below:

	Shanghai Baoshan	**Tianjin Pacific**
	US$'000	US$'000
Property, plant and equipment	10,498	7,335
Trade receivable	5,311	23,125
Prepayments and other receivables	18,256	9,817
Prepaid lease payments	2,348	–
Inventories	61,655	15,407
Cash and bank balances	4,532	15,001
Other assets	150	–
Total assets	102,750	70,685
Bank borrowings	(24,791)	(23,075)
Trade payable	(47,605)	(15,599)
Accruals and other payables	(13,564)	(6,431)
Tax payable	–	(77)
Total liabilities	(85,960)	(45,182)
Less: amount attributable to minority interests	(4,365)	(984)
Add: Premium arising on acquisition of a jointly controlled entity	–	1,691
Amount attributable to the Group and previously classified as interests in jointly controlled entities	12,425	26,210
Net cash inflow arising from consolidation of Shanghai Baoshan and Tianjin Pacific Bank balance and cash consolidated	4,532	15,001

In 2005, Shanghai Baoshan has contributed US$213,731,000 to the Group's turnover and US$11,859,000 to the Group's profit from operations. Tianjin Pacific has contributed US$19,946,000 and US$3,017,000 to the Group's turnover and profit from operations for the period between the date of consolidation and the balance sheet date respectively.

If the consolidation had been completed on 1st January, 2005, total group revenue for the year would have been US$901,544,000, and profit for the year would have been US$54,353,000. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005, nor is intended to be a projection of future results.

42 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group:

	2005 US$'000	2004 US$'000
Sales to a fellow subsidiary *(note)*	**2,045**	1,809
Sales to a related company *(note)*	**7,167**	7,181
Rental income received from a fellow subsidiary *(note)*	**1**	–

Note: The fellow subsidiaries are Pacific International Lines (China) Ltd., and PIL Logistics (China) Co., Ltd. in which PIL, a substantial shareholder of the Company, has 100 per cent. effective interest. The related company is PIL(HK), in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors of the Company, have beneficial interests.

The balances with the related parties are disclosed in the consolidated balance sheet and note 32. All such balances are subject to normal credit terms and aged mainly from 30 days to 90 days. The current accounts with other group companies, jointly controlled entities and associates are unsecured, interest free and repayable on demand.

Compensation of key management personnel

The remuneration of directors and other memebers of key management during the year was as follows:

	2005 US$'000	2004 US$'000
Short-term benefits	**2,353**	2,153
Other long-term benefits	**32**	30
	2,385	2,183

The remuneration of directors and key executives is reviewed by the remuneration committee having regard to the performance of individuals and market trends.