SINGAMAS

勝 獅 貨 櫃 企 業 有 限 公 司

SINGAMAS CONTAINER HOLDINGS LIMITED

HKEx Stock Code 716

Annual Report 2008

08

Contents

The English text of this annual report shall prevail over the Chinese text for the purpose of interpretation.

Singamas Operations

FACTORIES

Tianjin *(Dry Freight & Specialised Containers)*

Qingdao:

- **Qingdao Pacific** *(Dry Freight & U.S. Domestic Containers)*
- **Qingdao Singamas** *(Container Chassis)*

Shanghai:

- **Shanghai Pacific** *(Dry Freight Containers)*
- **Shanghai Baoshan** *(Dry Freight and Specialised Containers)*
- **Shanghai Reeferco** *(Refrigerated Containers)*

Yixing *(Collapsible Flatrack, Other Specialised Containers & Container Parts)*

Ningbo *(Dry Freight & Specialised Containers)*

Xiamen *(Dry Freight Containers)*

Hui Zhou *(Dry Freight Containers)*

Shunde *(Dry Freight, Tank & Other Specialised Containers)*

Surabaya *(Dry Freight Containers)*

DEPOTS/TERMINALS

Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen, Hong Kong, Shunde, Laemchabang

MID-STREAM

Hong Kong

LOGISTICS

Xiamen

Corporate Profile

Singamas Container Holdings Limited was listed on The Stock Exchange of Hong Kong Limited in 1993. After more than a decade of development, we have evolved into one of the world's leading container manufacturers and logistics service providers. Our container factory and depot networks are among the most comprehensive in the People's Republic of China (the "PRC").

Our manufacturing business is currently supported by twelve factories, eleven in the PRC and one in Surabaya, the Republic of Indonesia. We manufacture a wide range of products including dry freight containers, collapsible flatrack containers, open top containers, bitutainer, refrigerated containers, U.S. domestic containers, tank containers, other specialised containers, container parts and container chassis.

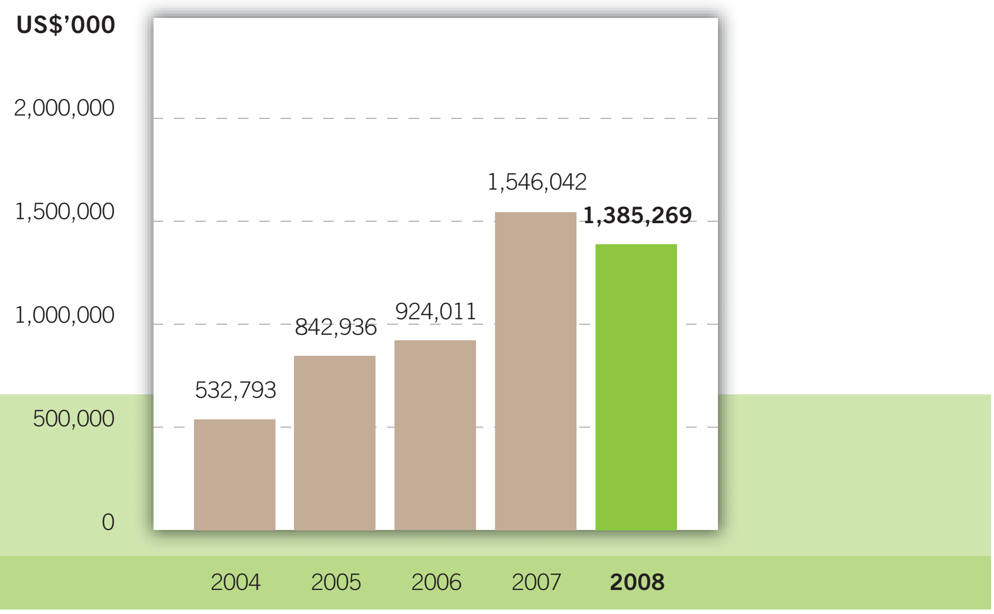
Our logistics business includes container depots/terminals, mid-stream and logistics company, running eleven container depots/terminals, eight at the major ports in the PRC - Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen, and Shunde, two in Hong Kong and one in Laemchabang, Thailand. We also operate a mid-stream company in Hong Kong and a logistics company in Xiamen, the PRC.

Financial Highlights

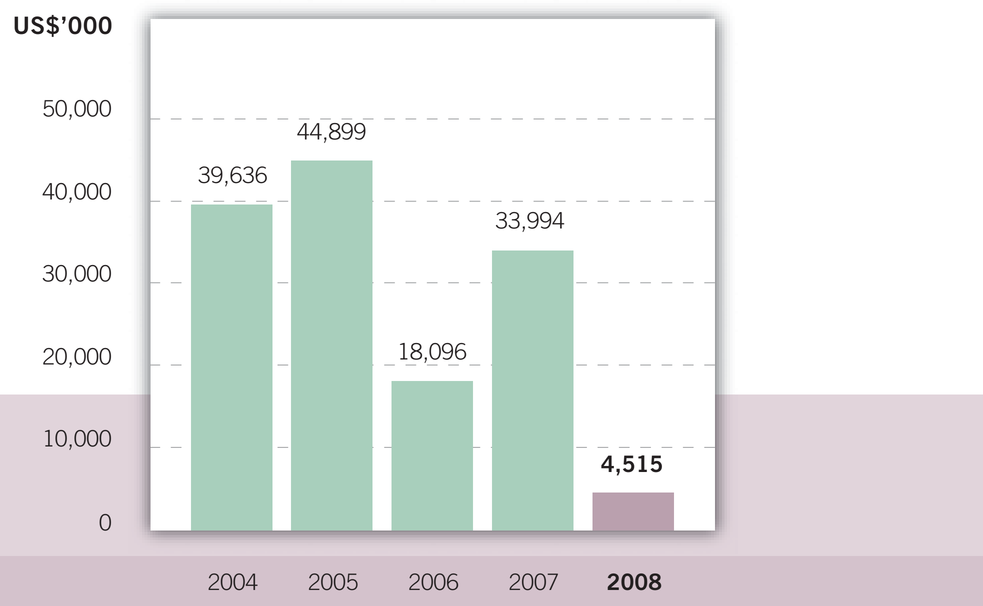
	2008 (US$)	2007 (US$)	2006 (US$)	2005 (US$)	2004 (US$)
Revenue	1,385,269,000	1,546,042,000	924,011,000	842,936,000	532,793,000
Profit from operations	72,869,000	44,496,000	30,549,000	57,404,000	32,538,000
Profit attributable to equity holders of the Company	4,515,000	33,994,000	18,096,000	44,899,000	39,636,000
Earnings per share	0.64 cent	5.37 cents	2.96 cents	7.35 cents	7.37 cents
Net asset value per share	43.79 cents	43.51 cents	37.00 cents	35.29 cents	29.57 cents
Equity attributable to equity holders of the Company	307,794,000	305,855,000	226,146,000	215,714,000	180,737,000
Bank balances and cash	153,647,000	119,048,000	80,659,000	102,604,000	69,466,000
Total borrowings *(note)*	372,009,000	415,223,000	332,829,000	158,402,000	108,437,000
Current ratio	1.20 to 1	1.24 to 1	1.17 to 1	2.16 to 1	1.35 to 1
Gearing ratio	1.21	1.36	1.47	0.73	0.60
Net debt to equity ratio	0.71	0.97	1.12	0.26	0.22
Interest coverage ratio	2.53	3.16	3.24	10.52	19.63

Note: Total borrowings represent the aggregate amount of interest-bearing borrowings.

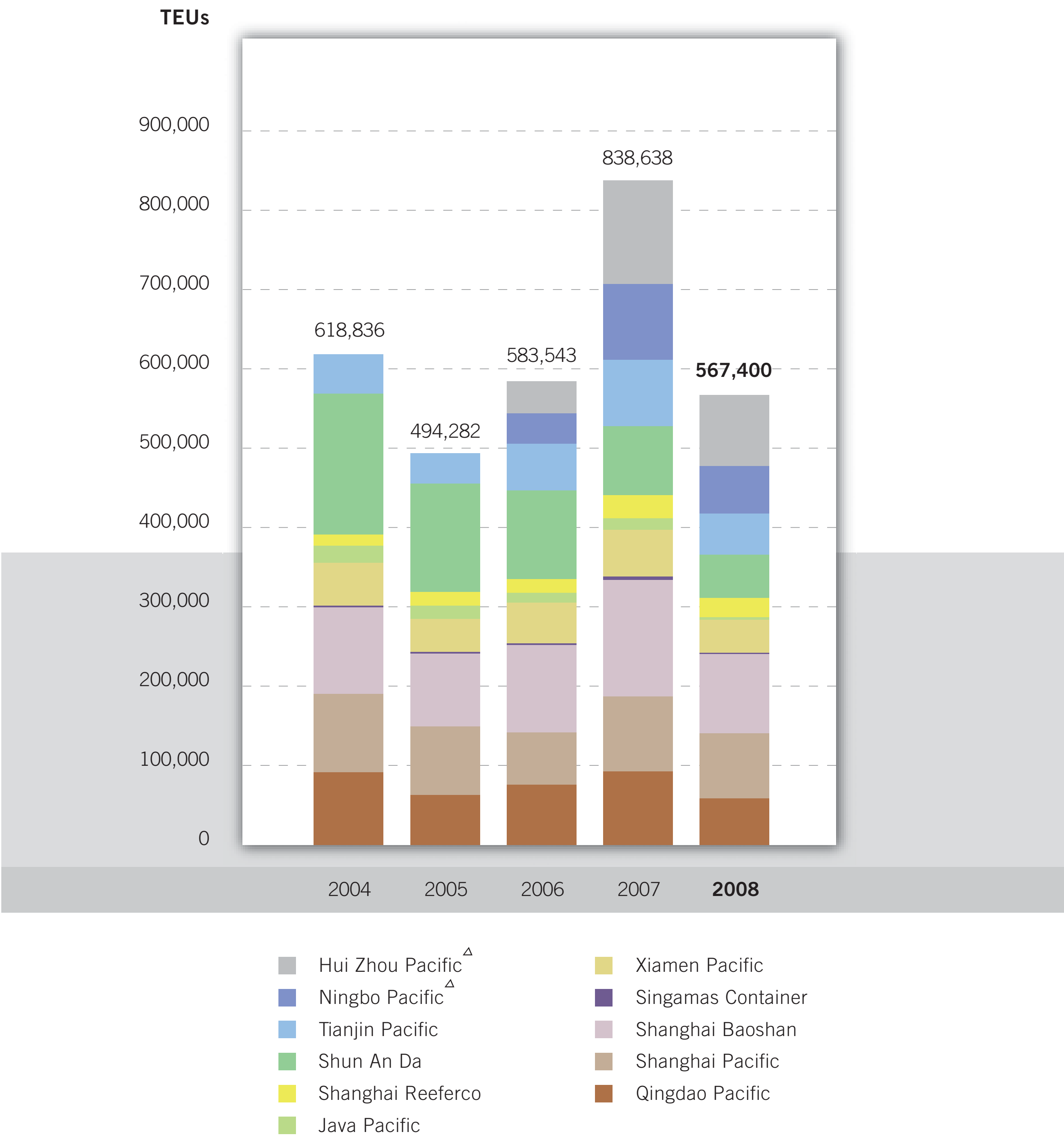
Revenue



Profit Attributable to Equity Holders of the Company

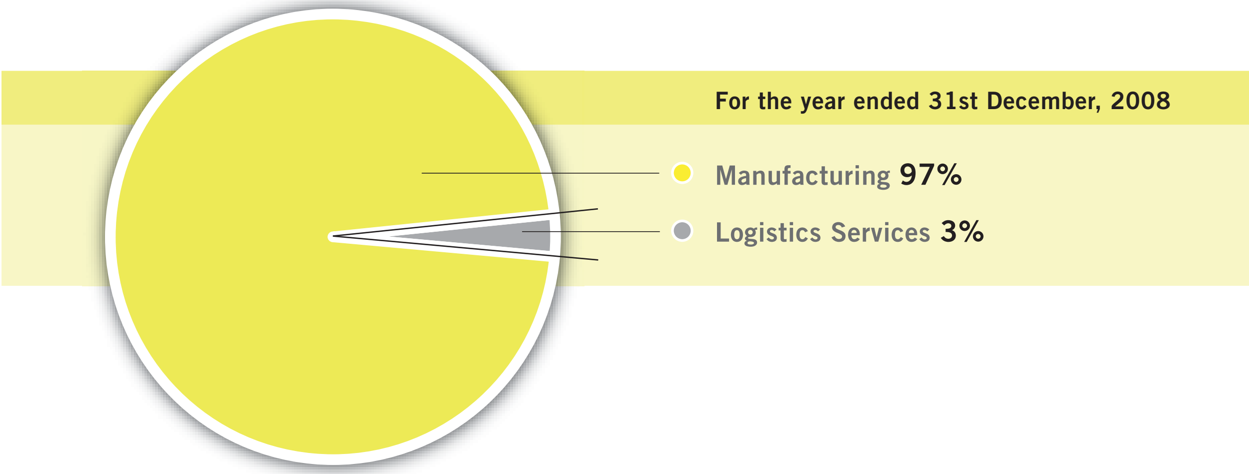


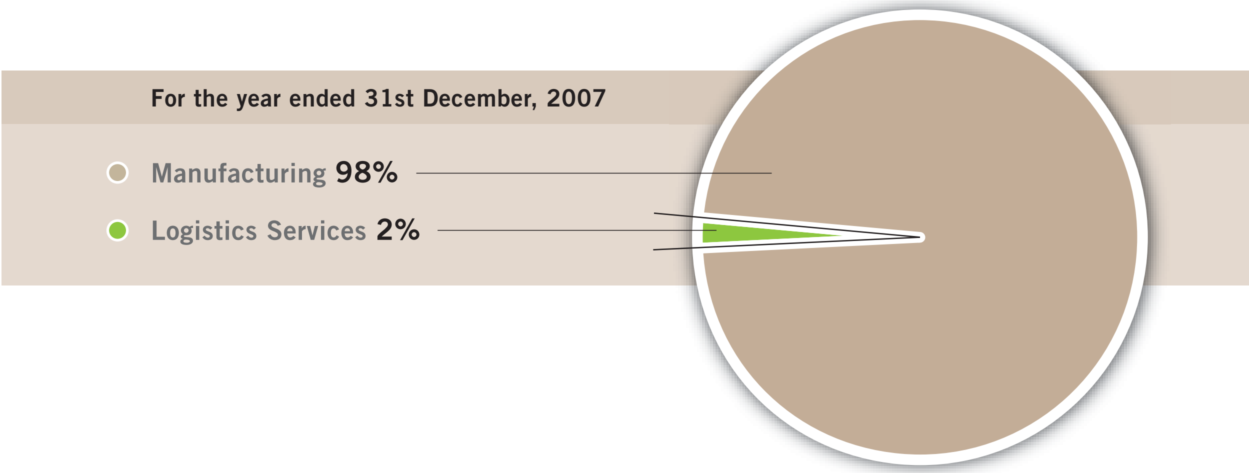
Production Output

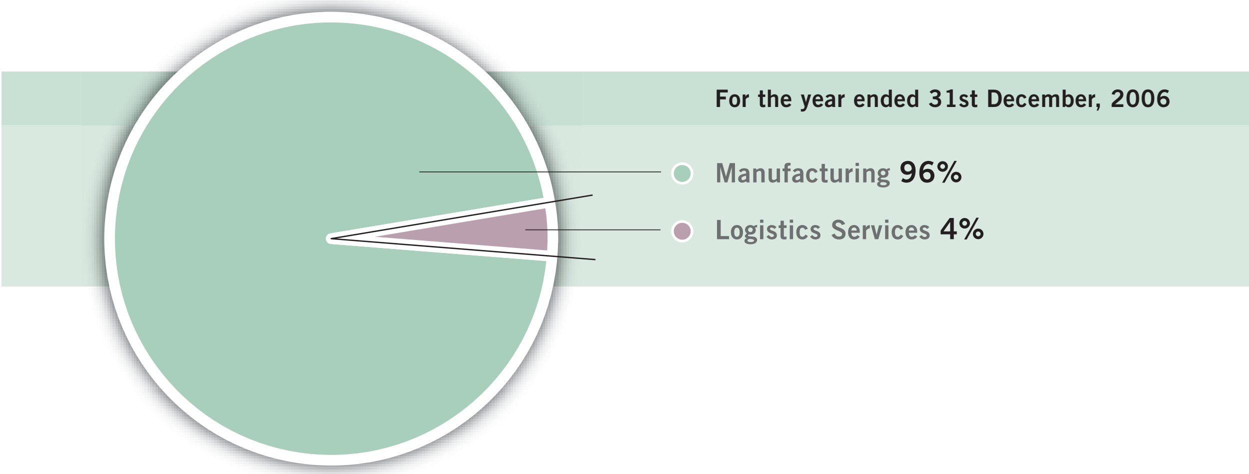


△ *Construction of Hui Zhou Pacific and Ningbo Pacific began in the second half of 2005 with both factories commenced commercial operations at the end of July 2006.*

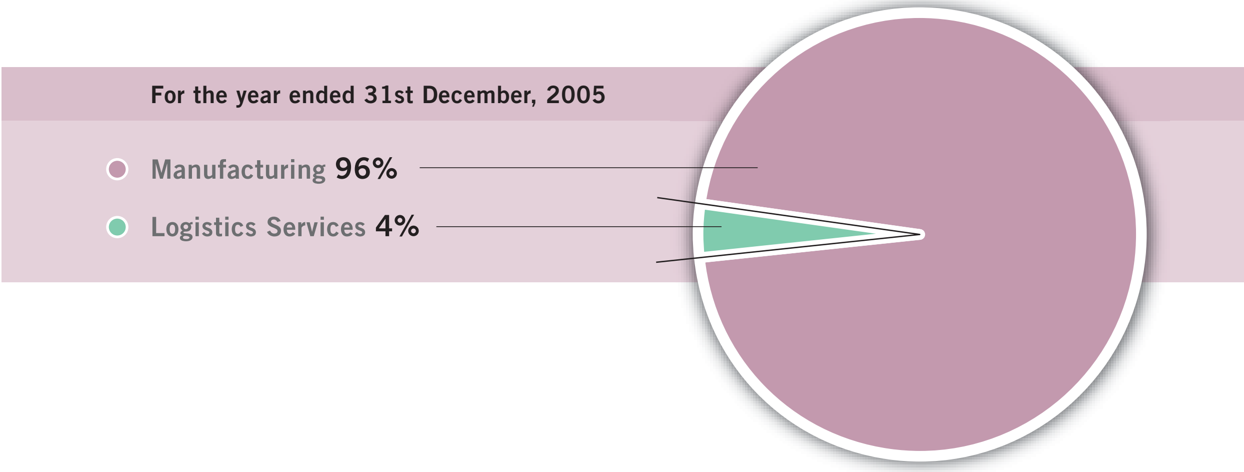
Revenue by Business Segment

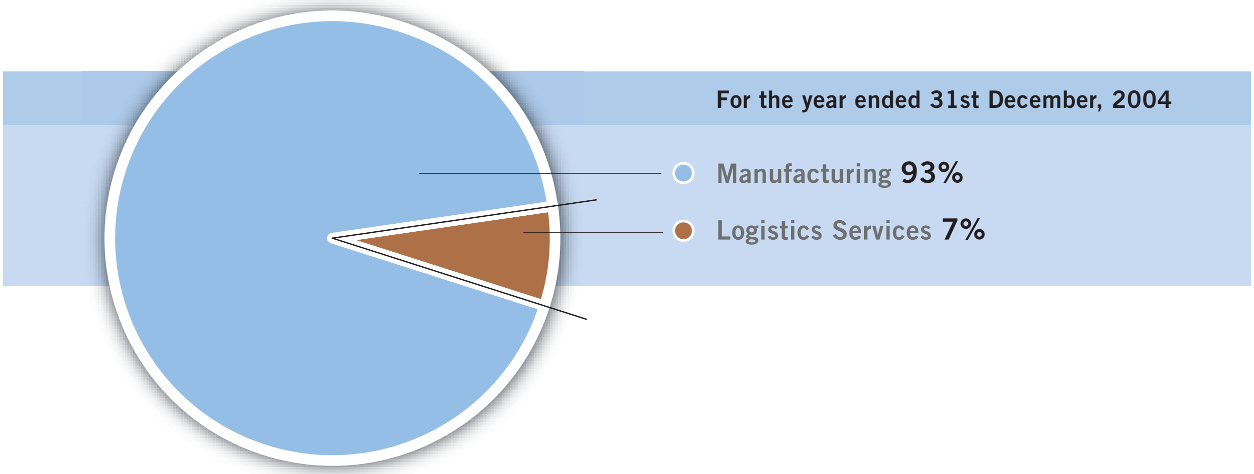






Revenue by Business Segment *(Continued)*





Executive Directors

Mr. Chang Yun Chung* *(Chairman)*
Mr. Teo Siong Seng *(Vice Chairman)*
Mr. Hsueh Chao En
Mr. Jin Xu Chu
Mr. Teo Tiou Seng

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

Non-executive Director

Mr. Kuan Kim Kin#△

Independent Non-executive Directors

Mr. Ong Ka Thai#△
Mr. Yang, Victor#△

 # Audit Committee Member
△ Remuneration Committee Member

Company Secretary

Ms. Tam Shuk Ping, Sylvia

Solicitors

Deacons
5th Floor
Alexandra House
18 Chater Road
Central, Hong Kong

Public Relations Consultant

Strategic Financial Relations Limited
Unit A, 29th Floor, Admiralty Centre 1
18 Harcourt Road
Hong Kong

Registered Office

19th Floor, Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Agricultural Bank of China
Bangkok Bank Public Company Limited
Bank of China
Bank of Communications Co., Ltd.
China Construction Bank Corporation
CITIC Ka Wah Bank Limited
DBS Bank Ltd.
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Bank of Nova Scotia
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
United Overseas Bank Limited

Websites

http://www.singamas.com
http://www.irasia.com/listco/hk/singamas
http://singamas.quamir.com

Chairman's Statement

To Our Shareholders

On behalf of the Board of Directors ("Directors"), I present to you the operating results of Singamas Container Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2008.

During the second half of the year, trading activities around the world, especially exports from the People's Republic of China (the "PRC") slowed down because of the global economic downturn. Consequently, the Group's consolidated revenue declined by 10.4% to US$1,385,269,000 (2007: US$1,546,042,000). Consolidated net profit attributable to equity holders of the Company also declined to US$4,515,000 (2007: US$33,994,000). Such decline was due mainly to (i) an one-time loss of more than US$17 million from unwinding the Company's swap derivative financial instruments during the first half of the year; (ii) a marked to market loss of approximately US$13 million from the Company's remaining outstanding swap derivative financial instrument of a notional amount of US$13.5 million as at the year end date; and (iii) an increase in income tax rate from the original 12%, which applied to most of the Group's container factories in the past to the current 25%, as a result from the new tax law implemented in the PRC with effect from 1st January, 2008. The Company does not envisage engaging in swap derivative financial instruments in the foreseeable future. Basic earnings per share were US0.64 cent (2007: US5.37 cents).

Despite the drop in consolidated net profit attributable to equity holders of the Company, the Group's consolidated profit from operations actually increased by 63.8% to US$72,869,000 (2007: US$44,496,000), reflecting the effectiveness of the measures taken by the Group to boost operational efficiency.

Heeding the challenging business environment, the Group continued to focus on manufacturing specialised containers with better profit margins. It also implemented a series of cost control measures that produced concrete results including, among others, trimmed utility expenses, a more streamlined work force and improved utilisation rates of materials and supplies. Furthermore, it reduced capital expenditures for 2008 to roughly US$23 million from the originally planned US$58 million. Such efforts had enabled the Group to minimise the impacts of the economic slump on its operations.

Dividends

An interim dividend of HK4 cents per ordinary share was paid in October 2008. The Directors do not recommend that a final dividend be paid for the year ended 31st December, 2008. The recommendation was made taking into consideration the needs of the Group in the uncertain business environment expected to linger in the coming year. However, the Group assures shareholders that its general dividend policy has not changed and remains to be distributing to them a reasonable amount of its profit attributable to equity holders each year. The dividend payout ratio for 2008 was 80.2%, as compared to 29.2% in 2007.

Business Review

Manufacturing

The manufacturing business remained a major source of revenue for the Group, accounting for 97.2% of the revenue of the Group for the year. However, as the economic and financial climate deteriorated in the second half of the year leading to a drop in new container demand, the overall revenue of the business segment for the year was affected. The segment recorded revenue of US$1,347,171,000, a 10.9% drop against last year. Profit before taxation and minority interests was US$7,315,000, compared to US$28,183,000 in 2007. Accordingly, the Group's production output reduced to approximately 567,000 twenty-foot equivalent units ("TEUs") in 2008 (2007: approximately 839,000 TEUs), of which approximately 504,000 TEUs were dry freight containers (2007: approximately 774,000 TEUs).

On the other hand, with the Group's continuous efforts to diversify its products mix and enhance its profitability, performance of the specialised container segment remained steady.

With cost of materials such as Corten steel increased during the year, the average selling price of a 20-foot dry freight container went up to US$2,262 (2007: US$1,916). As for the higher margin tank containers more stringent in technical requirements, their average selling price was also higher at US$30,600 (2007: US$26,485).

Logistics Services

Following faltering global trade, container traffic has been declining. Container throughput has reduced significantly at many major international ports in the PRC. The Group's container depots and terminals handled a total of approximately 5,069,000 TEUs of containers, a decline of 1.7% against 2007. While income from handling services decreased, income from storage services actually increased. The logistics services segment as a whole generated revenue of US$38,098,000 (2007: US$34,140,000) and profit before taxation and minority interests of US$10,859,000 (2007: US$12,811,000).

Prospects

To better control costs, manage the Group's work force and stabilise product price amid the current difficult operating conditions, the Group decided to run one full production shift at its plants throughout the year starting in 2009 instead of two shifts during peak seasons in previous years. Its annual maximum production capacity has thus been reduced from 1.25 million TEUs to 700,000 TEUs.

Although the common belief that general economic recovery will be gradual, the Group is confident of its ability to weather the testing times ahead. The Group will continue to step up cost control, focus on production of higher margin specialised containers and enhance business competence.

In the first quarter of 2009, Singamas has been appointed by a sizeable state-owned enterprise to co-develop specialised container for the transportation of fresh seafood. Mass production will start upon completion of product prototype and testing. The Group believes the new type of specialised container will become a new revenue source for it in the near future as orders rise on the back of the potentially huge and growing demand for fresh seafood in the inland China. This strategic partnership is seen by the Group as an endorsement of its strength in R&D and proof of the relevance and effectiveness of its business strategy.

Another recent initiative taken by the Group is the signing of five share transfer agreements with Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of China Shipping (Group) Company, on 15th December, 2008. The move has allowed the Group to realign ownership interests in relevant companies and hence be able to better manage its resources and capabilities.

As the economic environment is expected to improve in the second half of 2009, the Group will put all capital projects on hold until conditions are deemed appropriate for resuming them. This applies to the relocation and upgrading of the Group's dry freight container factories in Xiamen and Shanghai. Such decisions are also in line with the general approach of the Group to reduce capital expenditure.

Rights Issue

On 3rd March, 2009, the Company announced that the Company proposed to raise approximately HK$492.0 million in gross proceeds by issuing not less than 1,405,825,520 rights shares at the subscription price of HK$0.35 per rights share on the basis of two rights shares for every one existing share of the Company in issue (the "Rights Issue").

The Rights Issue will allow all qualifying shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company. The Company's major shareholder – Pacific International Lines (Private) Limited ("PIL") holding 44.78% of the Company' existing issued share capital as at the date of this annual report, has undertaken to subscribe in the Rights Issue by taking up its entitlement of rights shares and through its wholly-owned subsidiary – Strategic Times Limited, it will also sub-underwrite 75% of the remaining rights shares. As a result, PIL has committed to take up an aggregate of 1,211,751,229 rights shares out of the total 1,405,825,520 rights shares, representing approximately 86.2% of the total rights shares.

Another shareholder of the Company, Shah Capital Management, Inc. ("Shah Capital"), has undertaken to accept or procure the acceptance of an aggregate of 86,000,000 rights shares (representing approximately 6.1% of the total rights shares) which will be provisionally allotted to Shah Capital in respect of an aggregate of 43,000,000 shares of the Company registered in its name.

The two major shareholders' strong support in respect of the Rights Issue demonstrates their confidence on the Group's management and business prospects.

The proceeds from the Rights Issue are intended to be used by the Company for settling part of the Group's bank loans to save interest expenses and strengthen the Group's financial position. The Rights Issue was approved by the independent shareholders of the Company at a general meeting held on 3rd April, 2009.

Acknowledgement

On behalf of the Group, I would like to extend my gratitude to our customers and business partners for their continuous support. I wish to also express my appreciation to fellow board members and colleagues for their contributions and diligence over the past year. Well-prepared to meet the challenges in the coming year, we are confident of emerging as a stronger business entity when the market revives and continuing to deliver good returns to investors.

Chang Yun Chung
Chairman

Hong Kong, 15th April, 2009

Frequently Asked Questions

1. How does the current economic situation affect the global shipping industry and the Group's business? What plans does the Group have to improve the situation?

A. The current financial and economic turmoil has affected export trade in the People's Republic of China (the "PRC"), which has in turn affected the demand for new dry freight containers. The Group has therefore decided to extend the normal closure period of its dry freight container production facilities in observance of the Lunar New Year from one month to two months in January and February 2009 in view of the financial and economic turmoil, as well as the typical low season for container manufacturing in the first and fourth quarters of each calendar year.

Out of the seven factories for dry freight container production which were subject to the aforesaid closure period, three of which have already resumed production and the remaining four of which will be gradually resuming production in the near term. The factories for the production of refrigerated containers, tank containers and other specialised containers are operating as normal and were not subject to the aforesaid extended closure period.

To better control costs, manage the work force and stabilise product price, the Group has decided in September 2008 to reduce its annual maximum production capacity from 1.25 million twenty-foot equivalent units ("TEUs") to 700,000 TEUs starting from 2009 by operating on one full production shift throughout the year instead of on two production shifts during peak seasons as done in the previous years.

In the previous years, the average capacity utilisation of the Group's factories was at around 60%. The lowering of production capacity as a result from two shifts to one shift production will in fact be cost beneficial to the Company as the Company could only retain one shift of workers throughout the year rather than retaining two shifts of workers as done in the past with excess staffing during the low season.

In line with the Group's capacity restructuring, the Group has laid off more than 4,000 low-end workers over a period from November 2008 to February 2009 from a total of approximately 12,000 workers to ensure better cost saving and enhance cost efficiency.

To enhance profitability, the Group will continue its focus in expanding its product mix by developing more higher-margin specialised containers, which are less competitive with more stable demand and of higher selling prices.

In an effort to enhance the Group's consolidated balance sheet, the Company proposed to raise approximately HK$492.0 million in gross proceeds by issuing not less than 1,405,825,520 rights shares at the subscription price of HK$0.35 per rights share on the basis of two rights shares for every one existing share of the Company in issue (the "Rights Issue"). The proceeds from the Rights Issue are intended to be used by the Company for settling part of the Group's bank loans to save interest expenses and further strengthen the Group's financial position.

Looking ahead, in view of increasing export trade activities from the PRC since March 2009 and the recent announcement by the PRC Government to increase value added tax rebate on exports, the Group expects the PRC export market to gradually improve in the near term, which in turn would bring about higher new container demand.

2. What will the trend be for raw material costs in the coming year and how will the Group stabilise raw material costs?

A. Price of Corten steel, the major raw material used in container production, began to increase since the end of 2007 and peaked in August/September 2008 to nearly US$1,000/ton. It started to drop in October 2008 but has been stabilised with gradual increases since January 2009. The Group expects material costs, Corten steel in particular, to gradually increase in 2009 in light of the various measures implemented by the PRC Government to boost domestic consumption.

3. What cost control measures does the Group use?

A. During the year, concrete achievements were made by the Group in all aspects of cost control, including, among others, trimmed utility expenses, streamlined the work force and improved utilisation rates of raw materials, tools and production supplies.

4. Does the Group see the current economic downturn leading to a market consolidation thus an opportunity for the Group to increase market share?

A. Yes, in fact, a number of the smaller players in the container manufacturing industry have already closed down.

5. How do the profit margins of specialised containers compare to those of conventional dry freight containers? What plan does the Group have to enhance product mix? What is your ideal sales mix?

A. Specialised containers normally enjoy 3 to 5 percentage points higher in gross margin than the conventional dry freight containers. Through the Group's internal Technology Development Centre as well as strategic alliances with existing and/or new business partners, the Group is committed to expanding its product mix by developing more higher-margin specialised containers.

In line with its business strategy in product development, the Group has been appointed by a sizeable state-owned enterprise to co-develop specialised container for the transportation of fresh seafood in early 2009. Mass production will start upon completion of product prototype and testing.

It is the Group's target to increase the revenue contribution from specialised containers to one-third of the Group's total consolidated revenue by the year of 2011.

6. Do you have any acquisition plans or cooperative projects in the pipeline?

A. As the economic environment is expected to improve in the second half of 2009, the Group has put all capital projects on hold until conditions are deemed appropriate for resuming them. This also applies to the relocation and upgrading of the Group's dry freight container factories in Xiamen and Shanghai. Such decisions are also in line with the general approach of the Group to reduce capital expenditure.

7. What will be the Group's dividend policy in the future?

A. Although the directors of the Company do not recommend that a final dividend be paid for the year ended 31st December, 2008, an interim dividend of HK4 cents per ordinary share was paid in October 2008, which represents a payout ratio of 80.2% (2007: 29.2%) of the Group's net profit attributable to equity holders of the Company for the year as a whole.

The Group assures shareholders that its general dividend policy has not changed and remains to be distributing to them a reasonable amount of the Group's profit each year.

Note: "A" denotes "Answer".

Directors

The directors ("Directors") of Singamas Container Holdings Limited (the "Company") during the year and up to the date of this annual report are as follows:

Mr. Chang Yun Chung *(also known as Mr. Teo Woon Tiong)*	*Chairman*
Mr. Teo Siong Seng	*Vice Chairman*
Mr. Hsueh Chao En	*Executive Director*
Mr. Jin Xu Chu	*Executive Director*
Mr. Ngan Man Kit, Alexander *(Redesignated as executive director on 15th October, 2008 and resigned on 1st January, 2009)*	*Executive Director*
Mr. Teo Tiou Seng	*Executive Director*
Mr. Kuan Kim Kin*△	*Non-executive Director*
Mr. Ong Ka Thai*△	*Independent Non-executive Director*
Mr. Soh Kim Soon *(Retired on 6th June, 2008)*	*Independent Non-executive Director*
Mr. Yang, Victor*△ *(Appointed on 15th April, 2008)*	*Independent Non-executive Director*

* *Audit Committee Member*

△ *Remuneration Committee Member*

Brief biographical details of the Directors at the date of this annual report are as follows:

Mr. Chang Yun Chung *(also known as Mr. Teo Woon Tiong)*, aged 90, Chairman, appointed on 20th April, 1993, started his shipping career in Singapore in 1949 and is the founder of Pacific International Lines (Private) Limited ("PIL"), a substantial shareholder of the Company. Mr. Chang graduated from the Xiamen Datung College. He is presently the Executive Chairman of the PIL Group of companies in Singapore, which is engaged in shipping and related businesses. Mr. Chang is also the Chairman of Pacific International Lines (H.K.) Ltd. ("PILHK") of Hong Kong, the Maya Group of companies, Malaysia Shipping Corporation Sdn. Bhd. of Malaysia, Eastern Maritime (Thailand) Ltd. and Pacific Seatran Lines Ltd. of Thailand. PILHK, a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors and shareholders of PIL, have beneficial interests, is an associate of PIL. Other than PILHK, the Maya Group of companies, Malaysia Shipping Corporation Sdn. Bhd., Eastern Maritime (Thailand) Ltd. and Pacific Seatran Lines Ltd. are third parties independent of the Company and connected persons of the Company.

Mr. Teo Siong Seng, *B.Sc. (Naval Architect)*, aged 54, appointed on 20th April, 1993, became the President and Chief Executive Officer of the Company on 1st February, 1997. Mr. Teo is a son of Mr. Chang Yun Chung and he is also a director of various subsidiaries of the Company. Mr. Teo started his shipping career with the PIL Group in 1979 and was appointed the managing director of PIL in October 1992. Mr. Teo is an executive director of various PIL subsidiaries and joint venture companies whose activities include shipowning, liner shipping, ship agency, freight forwarding, container manufacturing and depot/warehousing, logistics park, supply chain management and travel. Mr. Teo is currently an independent non-executive director of China COSCO Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Teo is the President of the Singapore Chinese Chambers of Commerce & Industry, founding member of India-Singapore CEO Forum and sits on the Board of Business China, Maritime and Port Authority of Singapore (MPA) and Through Transport Mutual Insurance Association Limited Bermuda. He is the President of Singapore Shipping Association and chairman of Singapore Maritime Foundation (SMF), Lloyd's Register Asia Shipowners, The Standard Steamship Owners' Protection and Indemnity Association (Asia) Ltd. and Class NK Singapore. He is also a honorary member of the Management Board Centre for Maritime Studies of Singapore.

Mr. Hsueh Chao En, *Dip. Eng.*, aged 56, appointed on 16th May, 1997, joined Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific"), a 60% owned subsidiary of the Company, in July 1989 and was appointed as Executive Vice President – Manufacturing Operations of the Company on 1st June, 1993. Mr. Hsueh graduated in mechanical engineering from a technical institutes in Taiwan and is a director of various subsidiaries of the Company. Prior to joining the Company, he had over 10 years' experience as a plant manager in various container manufacturing plants in Taiwan.

Mr. Jin Xu Chu, aged 62, appointed as Executive Director of the Company on 31st December, 2004. He studied at the Shanghai Jiao Tong University and joined Shanghai Pacific in May 1989. Mr. Jin is currently a director of various manufacturing operating units of the Company. He has more than 29 years of experience in the container manufacturing industry in the PRC.

Mr. Teo Tiou Seng, aged 56, appointed on 26th June, 1996 as Executive Director of the Company and is also a director of various subsidiaries of the Company. Mr. Teo is a son of Mr. Chang Yun Chung and has been engaging in shipping business since 1977. Mr. Teo graduated and holds a MBA from the University of Western Ontario, Richard Ivey School of Business – the leading business school in Canada. He has more than 26 years of working experience in container transport business and is also a director of PIL and the managing director of PILHK.

Mr. Kuan Kim Kin, aged 60, appointed as Non-executive Director of the Company on 15th July, 1998. He joined PIL in 1994 as the General Manager of the Finance Division and has been an executive director of the Finance Division of PIL since 7th June, 2004. He is also a non-executive director of PST Management Pte Ltd. which acts in its capacity as a Trustee Manager of Pacific Shipping Trust listed on the Singapore Exchange Securities Trading Limited. Pacific Shipping Trust is sponsored by PIL. Other than their relationship with PIL, PST Management Pte. Ltd., and Pacific Shipping Trust are third parties independent of the Company and connected persons of the Company. Prior to joining PIL, he held a number of senior financial and accounting positions across diverse business groups, including two public listed companies in Malaysia. Mr. Kuan is a fellow member of The Chartered Institute of Management Accountants (United Kingdom).

Mr. Ong Ka Thai, aged 54, appointed as Independent Non-executive Director of the Company on 17th May, 1997. Mr. Ong is currently the Chairman of various companies including Ong Pacific (H.K.) Ltd., Ong First Tradition Pte. Ltd., Ong Commodities Pte. Ltd. and Ong Pacific Capital Ltd.. These companies are third parties independent of the Company and connected persons of the Company. Mr. Ong graduated from the University of California at Los Angeles with a Bachelor of Arts Degree majoring in Economics, and had served as the CEO for a number of multinational joint ventures since then. Mr. Ong is currently a director of Shanghai International Shanghai Growth Investment Ltd., a company listed on the Stock Exchange. As at the financial year end of the Company, Mr. Ong is also an independent non-executive director of China Bohai Bank Limited. Except for the provision of banking facilities by China Bohai Bank Limited to subsidiaries of the Group, Shanghai International Shanghai Growth Investment Ltd. and China Bohai Bank Limited are third parties independent of the Company and connected persons of the Company. Mr. Ong has over 32 years of experience in the manufacturing, corporate and trade finance, regional equity, futures and commodities trading, investment banking and corporate advisory services, as well as direct and private equity investment.

Mr. Yang, Victor, aged 63, appointed as Independent Non-executive Director of the Company on 15th April, 2008. Mr. Yang was a founding partner of Boughton Peterson Yang Anderson, Solicitors, Hong Kong and he is also a qualified lawyer in Canada and the United Kingdom. Mr. Yang has over 35 years experience in legal practice primarily in the areas of corporate finance, commercial law, mergers, acquisitions and taxation. He is presently a governor of the Canadian Chamber of Commerce, a member of the Major Sports Events Committee of the Home Affairs Bureau, Hong Kong Special Administration Region, a director of the Hong Kong Foundation for UBC Limited and was a board member of Canadian International School of Hong Kong Limited. Mr. Yang is also a non-executive director of Lei Shing Hong Limited, a company previously listed on the Stock Exchange and privatised in March 2008 and an independent non-executive director of Media Chinese International Limited, China Agri-Industries Holdings Limited, Playmates Toys Limited, all of which are listed on the Stock Exchange. Mr. Yang was an independent non-executive director of Pearl Oriental Innovation Limited, a company is listed on the Stock Exchange and Eupa International Corporation, a company quoted on NASD (Over the Counter Bulletin Board). Lei Shing Hong Limited, Media Chinese International Limited, China Agri-Industries Holdings Limited, Playmates Toys Limited, Eupa International Corporation and Pearl Oriental Innovation Limited, all are third parties independent of the Company and connected persons of the Company.

All Directors, except for the managing director of the Company who shall subject to retirement by rotation at least once every three years but shall be eligible for re-election, are subject to retirement and re-election at annual general meetings of the Company in accordance with the Company's articles of association. For details of their respective profiles, please refer to the circular accompanied with this annual report.

Senior Management Executives

The senior management executives during the year and up to the date of this annual report are as follows:

Mr. Teo Siong Seng	*President and Chief Executive Officer*
Mr. Hsueh Chao En	*Executive Vice President – Manufacturing Operations*
Mr. Jin Xu Chu	*Senior Vice President – Manufacturing Operations*
Ms. Tam Shuk Ping, Sylvia	*Chief Financial Officer and Company Secretary*
Mr. Chan Kwok Leung, Andy	*Vice President of Marketing and General Manager – Hong Kong Container Depot and Terminal Operations*
Mr. Chen Woo Tsoung, Jackson	*Vice President of Manufacturing Operations*
Mr. Cheng Chien Kuo	*Vice President of Manufacturing Operations*
Mr. Wang Yung Fu, Terry	*Vice President of China Container Depot Operations*
Mr. Xu Kun Ming	*Vice President of Manufacturing Operations*

Details of the senior management executives at the date of this annual report are as follows:

Mr. Teo Siong Seng, appointed as President and Chief Executive Officer of the Company on 1st February, 1997. Please refer to the Directors section for details.

Mr. Hsueh Chao En, appointed as Executive Vice President – Manufacturing Operations of the Company on 1st June, 1993. Please refer to the Directors section for details.

Mr. Jin Xu Chu, joined Shanghai Pacific in May 1989. Please refer to the Directors section for details.

Ms. Tam Shuk Ping, *Sylvia,* *B. Comm., M.B.A., C.A. (Can.), F.C.P.A.*, aged 46, Chief Financial Officer and Company Secretary, joined the Company on 15th May, 1995. She was appointed as Company Secretary on 1st March, 1997 and is also a director of various subsidiaries of the Company. Prior to joining the Company, she was the Chief Financial Officer of a Hong Kong based construction company. She has more than 21 years of combined experience in public accountancy, manufacturing, distribution and construction.

Mr. Chan Kwok Leung, Andy, aged 51, Vice President of Marketing and General Manager – Hong Kong Container Depot and Terminal Operations, joined Eng Kong Container Services Ltd., a subsidiary of the Company, on 1st July, 1994. He has more than 29 years of combined experience in marketing, container depot management, container inspection and repair, and container leasing. Prior to joining the Company, he was the Technical Director of Unicon International Ltd., a container surveying company with major interests in the Far East.

Mr. Chen Woo Tsoung, Jackson, *B. Transportation Engineering and Management*, aged 49, Vice President – Manufacturing Operations, joined the Group on 1st September, 2007. Mr. Chen has more than 25 years of combined experience in shipping lines management, terminal operations and marketing. Prior to joining the Group, he was the Chief Auditor and Vice President of Wan Hai Lines Limited.

Mr. Cheng Chien Kuo, aged 53, Vice President – Manufacturing Operations, joined the Group in August 1989. He graduated in mechanical engineering from a technical institute in Taiwan. He has more than 27 years of experience in container manufacturing. Prior to joining the Company, he had over 13 years' experience working as a supervisor at various container manufacturing plants in Taiwan.

Mr. Wang Yung Fu, Terry, *B. Navigation & Marine Management*, aged 48, Vice President – China Container Depot Operations, joined the Company on 1st January, 2006 and is also a director of various subsidiaries of the Company. Mr. Wang has more than 22 years' experience in shipping lines and container depot management. Prior to joining the Company, he was the General Manager of the Qingdao Branch and Shanghai Branch of PIL.

Mr. Xu Kun Ming, aged 57, Vice President – Manufacturing Operations, joined the Group in January 2002. Mr. Xu studied Business Administration and Shipping Automation from two universities in Shanghai, PRC. Mr. Xu has more than 40 years of combined experience in ship building and container manufacturing. Prior to joining the Group, he had over 10 years' experience working as a deputy general manager at various container manufacturing plants in Shanghai.

Corporate Governance Practices

Save for the deviation explained below, Singamas Container Holdings Limited (the "Company") has fully complied with all the applicable principles of the Code on Corporate Governance Practices ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and also adopted certain recommended best practices of the Code.

The board of directors ("Board"/"Directors") of the Company believes that appropriate corporate governance practices are essential for the Company to enhance its accountability and transparency so as to achieve a balance of the interests of shareholders, customers, employees and investment partners of the Company in all material respects. Accordingly, the Company aims at maintaining high standards of corporate governance practices.

The Company has complied with the following applicable code provisions set out in the Code:

Key Corporate Governance Principles and the Company's Practices

A. Directors

A.1 The Board

Code Principle

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Governance Procedures of the Company against the Code Provisions

Save for the non-compliance with Rule 3.10(1) of the Listing Rules, the Company is headed by an effective Board comprising eight Directors. Taking into account the nature and scope of the Company's operations, the Board size is appropriate. The Board consists of high calibre members with a wealth of knowledge, expertise and experience. The Board members contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, banking, business, management and general corporate matters. Please refer to the brief biographical details of the Directors set out on pages 17 to 19 of this annual report.

The Board acts in the best interests of the Company. The Directors exercise their due diligence in the performance of their duties. Apart from its statutory and fiduciary responsibilities, the Board reviews the financial performance of the Company and its subsidiaries (collectively the "Group") and approves and monitors the Group's strategic plans, major investments, funding proposals and risk management policies. The Board is also responsible for monitoring managerial performance, achieving adequate return for the shareholders each year, and promoting good corporate governance by reviewing the recommendations made from audit committee ("Audit Committee") and remuneration committee ("Remuneration Committee") of the Company.

The Company's articles of association ("Articles") provide that if a director has a conflict of interest in a material matter, such director must abstain from voting and not be counted in quorum. Under such circumstance, a full board meeting will be held instead of by way of circulation.

Code Provisions	Alignment?	Governance Procedures of the Company
• At least four board meetings a year.	Yes	• The Board held five meetings in 2008. • Attendance records of the Directors in 2008: **Attendance** **Executive Director** Chang Yun Chung (also known as Teo Woon Tiong) 4/5 Teo Siong Seng 5/5 Hsueh Chao En 4/5 Jin Xu Chu 4/5 Ngan Man Kit, Alexander (re-designated as executive Director on 15th October, 2008 and resigned on 1st January, 2009) 5/5 Teo Tiou Seng 5/5 **Non-executive Director** Kuan Kim Kin 5/5 **Independent Non-executive Directors** Ong Ka Thai 5/5 Soh Kim Soon (retired on 6th June, 2008) 2/3 Yang, Victor (appointed on 15th April, 2008) 3/4
• Directors are given an opportunity to include matters in the agenda for regular board meetings.	Yes	• Directors are consulted to include any matters in the agenda for regular Board meetings.
• Notice of at least 14 days should be given of a regular board meeting.	Yes	• The Company normally gives notice and draft agenda of regular Board meetings at least 14 days in advance.
• Directors should have access to the advice and service of the company secretary.	Yes	• All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with and all applicable rules and regulations are followed.

Code Provisions	Alignment?	Governance Procedures of the Company
• Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary and open for inspection.	Yes	• The Company Secretary is responsible for taking minutes of the Board and Audit Committee meetings. Another duly appointed secretary is responsible taking minutes of Remuneration Committee meetings. All draft minutes are sent to Directors or committee members for review and comment within a reasonable time (generally within one month after each meeting) with the final version to be sent to Directors soonest thereafter. The minutes are made available for inspection by Directors or committee members at the Company's registered office.
• Draft and final versions of minutes are sent to all directors for comments within a reasonable time.		
• Agreed procedures for directors to seek independent professional advice at the issuer's expense.	Yes	• Directors have free access to the legal counsel of the Company and if needed and upon request, Directors are allowed to seek independent professional advice at the Company's expenses.
• If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, board meeting should be held. Such director must abstain from voting and not be counted in quorum.	Yes	• The Company has formulated and implemented guidelines for such matters that require board meetings to be held instead of by way of circulation. • The Articles provide for voting and quorum requirements conforming to Code requirements.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• Insurance cover in respect of legal action against directors.	Yes	• There is in place a Directors & Officers Liability Insurance cover.
• Board committees should adopt broadly the same principles and procedures.	Yes	• Board committees adopt broadly the same principles and procedures as stated above.

A.2 Chairman and Chief Executive Officer

Code Principle

There should be a clear division of responsibilities at the board level – separate offices of chairman and chief executive officer to ensure a balance of power and authority.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between chairman and chief executive officer should be clearly established in writing.	Yes	• Mr. Chang Yun Chung serves as the Chairman and Mr. Teo Siong Seng (a son of Mr. Chang Yun Chung) serves as the President and Chief Executive Officer of the Company. The Chairman focuses on Board issues and the Group's overall strategies. The President and Chief Executive Officer has overall responsibility for the daily operations and general development of the Group.
• The chairman should ensure all directors be briefed on issues arising at board meetings.	Yes	• Assisted by the Company Secretary, the Chairman has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board's responsibilities through the issue of board papers, etc. normally about one week in advance of the Board meeting.
• The chairman should be responsible for ensuring that directors receive adequate information in a timely manner.		

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting.	Yes	• The agenda of Board meetings is finalised by the Chairman in consultation with executive Directors and Company Secretary after taking into consideration any matters proposed by the non-executive Directors (including independent non-executive Directors).
• The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	Yes	• The Chairman takes a key role in developing corporate governance procedures in the Company.
• The chairman should encourage all directors to make a full and active contribution to the board's affairs.	Yes	• The Chairman meets with the Directors regularly to discuss various matters of the Group and encourages the Directors to express their views concerning the management of the Group.
• The chairman should facilitate the effective contribution of non-executive directors and ensure constructive relations between executive and non-executive directors.		

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	Yes	• The Chairman holds private meetings with the non-executive Directors, including the independent non-executive Directors, at least once a year.
• The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.	Yes	• Appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

A.3 Board Composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgement can effectively be exercised. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three independent non-executive directors. Mr. Ngan Man Kit, Alexander ("Mr. Ngan"), who was an independent non-executive Director, was re-designated as executive Director on 15th October, 2008. Following the re-designation of Mr. Ngan as executive Director on 15th October, 2008, the number of independent non-executive directors of the Company fell to two, below the minimum number required under Rule 3.10(1) of the Listing Rules. The Company has found a suitable candidate to fill the causal vacancy of Mr. Ngan and will make announcement upon his official appointment.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Independent non-executive directors should be expressly identified in all corporate communications.	Yes	• Composition of the Board, by category of Directors, is disclosed in all corporate communications.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• An issuer should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	Yes	• An updated list of Directors with their role, function and whether they are independent non-executive director is maintained on the website of the Company.

A.4 Appointments, Re-Election and Removal

Code Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. Resignation or removal of any director should be explained.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Non-executive directors should be appointed for a specific term, subject to re-election.	Yes	• Non-executive Directors are appointed for one year but subject to re-election at annual general meetings under the Articles.
• All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.		• Under the Articles, every Director, other than the Managing Director who shall be subject to retirement at least once every three years, shall retire from office at annual general meetings but shall be eligible for re-election. • Under the Articles, any Director appointed by the Board to fill a casual vacancy shall be subject to election by shareholders at the first general meeting of the Company after such Director's appointment.

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• Election of an independent non-executive director serving for more than nine years should be subject to a separate resolution to be approved by shareholders and the board should provide explanatory statement with information on his independence to shareholders.	Yes	• The Company's circular of its annual general meeting contained detailed information on election of Directors, including detailed biographies, interests, and (where appropriate) independence of all Directors standing for re-election. • Election of Mr. Ong Ka Thai, independent non-executive Director who has been serving on the Board for more than nine years, was subject to a separate resolution approved by shareholders at 2007 annual general meeting of the Company. A circular dated 27th April, 2007 contained full explanatory statement of Mr. Ong's independence was sent to the shareholders.
• Where the board proposes a resolution to elect an individual as independent non-executive director at the general meeting, explanatory statement with information on his independence should be provided to shareholders.		• Each of the independent non-executive Directors has confirmed their independence on 15th April, 2009.

A.5 Responsibilities of Directors

Code Principle

Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Every newly appointed director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common laws, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.	Yes	• On appointment, new Directors are given a comprehensive briefing and related materials of the Group's business activities, induction into their responsibilities and duties, and other regulatory requirements. • All Directors, including non-executive Directors, are regularly provided with comprehensive reports on the management's strategic plans, updates on lines of business, financial information, etc. • The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other applicable statutory requirements.
• Functions of non-executive directors should include: – bring an independent judgement at the board meeting; – take the lead where potential conflicts of interests arise; – serve on the audit, remuneration, nomination and other governance committees, if invited; and – scrutinise the issuer's performance. • Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.	Yes	• Non-executive Directors are well aware of their functions and have been actively performing them. On an on-going basis, Directors review with management in respect of the Group's strategic development and direction and emerging risks and opportunities available to the Group. • There has been satisfactory attendance for Board and Board committee meetings in 2008.
• Directors must comply with their obligations under the Model Code set out in Appendix 10.	Yes	• The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct, regarding Directors' securities transactions. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this report, the required standard set out in the Model Code regarding Directors' securities transaction.

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• Directors should disclose to the issuer at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments.	Yes	• Directors disclose their other directorships to the Company at the time of his appointment and at least once a year.
• Directors should ensure regular attendance and active participation of board, board committee and general meetings.	Yes	• There has been satisfactory attendance for Board, Board committee and general meetings in 2008.
• Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	Yes	• Details on roles and functioning of non-executive Directors are set out above. • Non-executive Directors have physically visited the Company's operating units in China to gain a better understanding of the Group's business operations and development plans for making constructive and informed comments of the Company's business developments.

A.6 Supply of and Access to Information

Code Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

Governance Procedures of the Company against the Code Provisions

The monthly management accounts are provided to the executive members of the Board by the Management. Board papers are sent to the Directors about one week before each Board meeting.

Code Provisions	Alignment?	Governance Procedures of the Company
• agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of a board or board committee meeting.	Yes	• An agenda and accompanying Board papers are sent to Directors about one week before the date of Board/committee meeting.
• Management has an obligation to supply the board and its committees with adequate information in a timely manner. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. The board and each director should have separate and independent access to the issuer's senior management.	Yes	• Senior management are from time to time brought into formal and informal contact with the Board at Board meetings and other events. Relevant information is being given to the Board upon request.
• Directors are entitled to have access to board papers and related materials. Steps must be taken to respond as promptly and fully as possible to director queries.	Yes	• Board papers and minutes are made available for inspection by Directors and committee members. Senior management of the Company has taken appropriate steps to respond promptly and fully to any queries raised by Directors.

B. Remuneration of Directors and Senior Management

B.1 The Level and Make-up of Remuneration and Disclosure

Code Principle

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. A formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors should be established. No director should be involved in deciding his own remuneration.

Governance Procedures of the Company against the Code Provisions

The Board has established Remuneration Committee to make recommendation on the Company's remuneration policy and structure for all remuneration of Directors and senior management. No Director and senior management can determine his own remuneration.

In 2008, the Remuneration Committee met three times and attendance of individual members at Remuneration Committee meeting in the year is summarised below:

Committee members	**Attendance**
Ngan Man Kit, Alexander *(ceased to act as Chairman of the Remuneration Committee on 15th October, 2008)*	2/2
Yang, Victor *(appointed as the Chairman of the Remuneration Committee on 23rd October, 2008)*	1/1
Ong Ka Thai	3/3
Kuan Kim Kin	3/3

Details of each Director's remuneration for the year under review are set out on pages 118 to 119 of this annual report.

<table>
<tr><th>Code Provisions</th><th>Alignment?</th><th>Governance Procedures of the Company</th></tr>
<tr><td>• Issuer should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.</td><td rowspan="3">Yes</td><td rowspan="3">• The Company established the Remuneration Committee in 2005. Current members of the Committee are:

Independent Non-executive Directors:
Yang, Victor (Chairman)
Ong Ka Thai

Non-executive Director:
Kuan Kim Kin

• Full terms of reference are available on the Company's website (www.singamas.com).

• Each Committee member is given a copy of the full terms of reference.</td></tr>
<tr><td>• Terms of reference of remuneration committee should include, as a minimum, certain specific duties as set out in Code Provision B.1.3 of Appendix 14 to the Listing Rules.</td></tr>
<tr><td>• The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</td></tr>
</table>

Code Provisions	Alignment?	Governance Procedures of the Company
• The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	Yes	• Meetings have been held between the Committee Chairman and the Board Chairman and/or Chief Executive Officer to discuss the various matters concerning the remuneration and related policy of executive Directors and senior management.
• The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	• Sufficient resources, including obtaining outsides professional advice or assistance, are provided to the Remuneration Committee.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	Yes	• Details of remuneration of Directors are disclosed on an individual basis. A performance-based element has been built into top management compensation.
• Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	Yes	• Since the establishment of Remuneration Committee in 2005, there had not been any contradiction between the Remuneration Committee and the Board in respect of the approval of any remuneration or compensation arrangements.

C. Accountability and Audit

C.1 Financial Reporting

Code Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Management should provide explanation and information to the board so as to enable the board to make an informed assessment of the financial and other information put before the board for approval.	Yes	• Board paper with full details and explanations is provided to the Directors in advance, enabling them to make informed assessment of the underlying transaction which is subject to the Board's approval.
• Directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts; a statement by the auditors regarding reporting responsibilities in auditors' report.	Yes	• A "Statement of Director Responsibilities for Financial Statements" is set out in this annual report. • The Independent Auditors' Report states auditors' reporting responsibilities.
• The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosure required under the Listing Rules and statutory requirements.	Yes	• The Board aims to present a comprehensive, balanced, clear and understandable assessment of the Group's position and prospects in all shareholder communications.

C.2 Internal Controls

Code Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries.	Yes	• The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. • The Company appointed an external accounting firm to act as internal auditors for the Company by conducing internal audit on selected operating units of the Group. These appointed internal auditors report directly to the Audit Committee. The Audit Committee, in return, communicates any material issues to the full Board. • Management regularly reviews the effectiveness of risk management and system of internal controls and compliance with best practices.
• The board's annual review should consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.	Yes	• The executive members of the Board regularly review the adequacy of resources, qualifications and experience the Company's accounting and financial reporting staff and also their training programmes and budget.
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• The board's annual review should, in particular consider the items as prescribed in Recommended Best Practice C.2.3 of Appendix 14 to the Listing Rules.	Yes	• The Board considered the scope of annual review of the effectiveness of the system of internal controls of the Company and its subsidiaries.
• Issuers should disclose as part of the Corporate Governance Report a narrative statement on how they have complied with the code provisions on internal control during the reporting period. The disclosures should also include the items as prescribed in Recommended Best Practice C.2.4 of Appendix 14 to the Listing Rules.	Yes	• Explanations have been set out above.
• Issuers should ensure that their disclosures provide meaningful information and do not give a misleading impression.	Yes	• The Company ensured that their disclosures provide meaningful information and did not give a misleading impression.

C.3 Audit Committee

Code Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

Governance Procedures of the Company against the Code Provisions

The Board has established the Audit Committee to investigate any activity within its terms of reference and make recommendation to the Board for any necessary improvement.

The members of Audit Committee include the two independent non-executive Directors, namely, Mr. Ong Ka Thai *(Chairman)* and Mr. Yang, Victor, and a non-executive Director, namely, Mr. Kuan Kim Kin.

The Chairman of Audit Committee reports the findings and recommendations to the Board after each meeting. The Committee met four times during this year under review.

The details of Audit Committee members' attendance in 2008 are as follows:

	Attendance
Committee members	
Ong Ka Thai *(Chairman)*	4/4
Kuan Kim Kin	4/4
Yang, Victor *(appointed as member of Audit Committee on 6th June, 2008)*	2/2
Soh Kim Soon *(ceased as member of Audit Committee on 6th June, 2008)*	2/2

Code Provisions	Alignment?	Governance Procedures of the Company
• Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of audit committee meetings should be sent to all members of the committee for their comment and records, respectively within a reasonable time after the meeting.	Yes	• The Company Secretary is also the secretary of the Audit Committee who keeps full minutes of all Audit Committee meetings. • Draft version of minutes is sent to Audit Committee members for comment normally within one month from the date of the meeting. Final version of minutes is sent to the Audit Committee members for their records as soon as the related draft is finalised.
• A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee.	Yes	• None of the three Audit Committee members is a former partner of the Company's existing external auditors.
• The terms of reference of the audit committee should include at least the certain duties as prescribed in Code Provision C.3.3 of Appendix 14 to the Listing Rules. • The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	Yes	• Full terms of reference are available on the Company's website (www.singamas.com) and a copy of the terms of reference is given to each member of the Audit Committee.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	Yes	• Since the establishment of Audit Committee in 1998, there had not been any disagreement between the Audit Committee and the Board in respect of the selection, appointment, resignation or dismissal of the external auditors.
• The audit committee should be provided with sufficient resources to discharge its duties.	Yes	• Sufficient resources, including obtaining outside professional advice or assistance, are provided to the Audit Committee.

Recommended Best Practice	Alignment?	Governance Procedures of the Company
• The terms of reference of the audit committee should also include the duties as prescribed in Recommended Best Practice C.3.7 of Appendix 14 of the Listing Rules.	Yes	• Full terms of reference are available on the Company's website (www.singamas.com).

D. Delegation by the Board

D.1 Management Functions

Code Principle

The issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Governance Procedures of the Company against the Code Provisions

Certain matters are specifically reserved to the Board for decision under the Company's internal guidelines and financial authority limits structure. Board approval is specifically required for material transactions such as acquisitions and disposals of assets of the Group. The management is generally responsible for the implementation of daily operations subject to the Board's decision generally or specifically.

Code Provisions	Alignment?	Governance Procedures of the Company
• When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the board.	Yes	• Internal guidelines have been formulated in respect to those matters reserved for the Board and functions or authorities delegated to management.
• An issuer should formalise the functions reserved to the board and those delegated to management.		
Recommended Best Practice	**Alignment?**	**Governance Procedures of the Company**
• Directors should clearly understand delegation arrangements in place. To that end, issuers should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	Yes	• Such delegation arrangement acknowledged by each directors by passing Board resolutions.

D.2 Board Committees

Code Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• Board should prescribe sufficiently clear terms of reference to enable proper discharge of committee functions.	Yes	• The Board has established the Audit Committee and Remuneration Committee with specific terms of reference.
• The terms of reference should require committees to report their decisions to the board.	Yes	• Board Committees report to the Board their work and findings they have performed during the period in each Board meeting. • Minutes of each Committee meeting are also circulated to the Directors for their information.

E. Communication with Shareholders

E.1 Effective Communication

Code Principle

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	Yes	• Separate resolutions are proposed on each substantially separate issue at general meetings.
• The chairman of the board should attend the annual general meeting and arrange for the chairmen of board committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. Chairman of independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	• The Board Chairman and each chairman of the Audit Committee and Remuneration Committee have been attending the annual general meeting of the Company and available to answer questions. • The chairman of Independent Board Committee has been attending general meetings to approve connected transactions or any other transaction that are subject to independent shareholders' approval and available to answer questions.
• The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	Yes	• Notices of the annual general meetings and all other general meetings have been sent according to the required notice period.

E.2 Voting by Poll

Code Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting poll.

Governance Procedures of the Company against the Code Provisions

Code Provisions	Alignment?	Governance Procedures of the Company
• The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	Yes	• The chairman of general meetings has been and will be providing an explanation of the detailed procedures for conducting a poll at the commencement of such meetings and answer any questions that may have from shareholders regarding voting by way of poll.

Nomination of Directors

The Company does not have a nomination committee but will consider setting up one at an appropriate time. Currently all new appointments and re-appointments to the Board are subject to the concurrence of all Board members whose deliberations are based on the following criteria:

- Integrity
- Independent mindedness
- Possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing Directors on the Board
- Able to commit time and effort to carry out duties and responsibilities effectively
- A good track record of experience at a senior level in corporations/organisations
- Financially literate

During the year under review, Mr. Yang, Victor was appointed as an independent non-executive Director on 15th April, 2008. The Board considered Mr. Yang's academic and professional background and based on the abovementioned criteria, the Board resolved to appoint Mr. Yang as an independent non-executive Director.

Auditors' Remuneration

The Company's Audit Committee has recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Deloitte Touche Tohmatsu be re-appointed as the external auditors for 2009.

During the year under review, the fees paid to the Company's external Hong Kong auditors for audit work amounted to HK$2,950,000 and for non-audit and review activities amounted to HK$376,500 (including HK$220,000 for interim review, HK$56,500 for tax review and HK$100,000 for other related services).

Statement of Director Responsibilities for Financial Statements

All Directors acknowledge that they are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31st December, 2008, the Directors have selected suitable accounting policies and applied them consistently, adopted all applicable new Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent and reasonable and prepared the accounts on the going concern basis.

The Board, through the Audit Committee, has conducted annual reviews of the effectiveness of the system of internal control covering all controls, including financial, operational and compliance controls, broad-based risk management processes, and physical and information system security of selected operating units of the Company. No suspected frauds and irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations have come to the Committee's attention to cause the Committee believe that the system of internal controls is inadequate. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code provisions on internal controls during the year under review.

Investor Relations

The Company always provides updated Group's performance information to all shareholders when it becomes available, through the publication of interim and annual reports, circulars, notices, media releases and so forth. The Company has made such information available on the Company's website (www.singamas.com) as well as on independent website providers (www.irasia.com and www.singamas.quamir.com). This purpose is to provide our shareholders, including institutional shareholders an alternative channel to access the Group's performance easily and reach the potential shareholders globally.

Apart from providing a forum for Directors' dialogue with shareholders in the Company's general meetings during the year, the Company continuously enhances shareholders communications including institutional shareholders communications by holding press and analyst conferences locally and overseas during any reporting period or year. The institutional shareholders may ask questions on the Company's operations or related financial information in such conferences and the Company would then have the opportunity explaining to them the latest status of the Group's development. This direct communication with shareholders or potential shareholders would let them aware of whether the standards and the manner that the Company conducts may meet their expectation. In addition, the Company has a Frequently Asked Questions section in its Annual Report providing our shareholders more clear and concise information that may be of common concern. Besides, the Company responds to letters and telephone enquiries from shareholders and potential shareholders throughout the year under review.

Report of the Directors

The directors ("Directors") of Singamas Container Holdings Limited (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31st December, 2008.

Principal Activities

The principal activities of the Company are investment holding and provision of management services to its subsidiaries, associates and jointly controlled entities. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 21, 23 and 24, respectively to the consolidated financial statements.

Results and Appropriations

The results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2008 are set out in the consolidated income statement on page 63.

An interim dividend of HK4 cents per ordinary share amounting to HK$28,116,510 was paid to the shareholders during the year. The Directors do not recommend the payment of final dividend for the year ended 31st December, 2008.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 167 to 168.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 40 to the consolidated financial statements, respectively.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in note 18 to the consolidated financial statements.

Particulars of Principal Subsidiaries, Associates and Jointly Controlled Entities

Particulars regarding the principal subsidiaries, associates and jointly controlled entities of the Company are set out in notes 21, 23 and 24, respectively to the consolidated financial statements.

Liquidity and Financial Resources

As at 31st December, 2008, the Group had bank balances and cash of US$153,647,000 (2007: US$119,048,000) and total interest-bearing borrowings of US$372,009,000 (2007: US$415,223,000). This represented a gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over equity attributable to equity holders of the Company, of 1.21 (2007: 1.36) and a net debt to equity ratio, calculated on the basis of the Group's net interest-bearing borrowings (after deducting bank balances and cash of US$153,647,000) over equity attributable to equity holders of the Company, of 0.71 (2007: 0.97). The global economic downturn during the second half of the year affected new container demand, which led to a drop in the Group's production output. The decrease in total interest-bearing borrowings was largely attributable to lower working capital requirements as a result from the decline in production output.

Although there was a decrease in interest-bearing borrowings, with the decline in profit as a result from soft demand and more than US$30 million loss from the Company's swap derivative financial instruments, the interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense deteriorated to 2.53 times in 2008, compared to 3.16 times in 2007.

Treasury Policies

The Group's revenues are largely transacted in US$ and maintain cash balances mainly in US$. To a lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. To minimise currency risk exposure, a majority of the Group's borrowings, approximately 79.3% of the total as at 31st December, 2008 was in US$ with the balance in RMB. As at 31st December, 2008, the Group has one remaining derivative financial instrument, which was initially entered into by the Company to manage its RMB exposure, outstanding with a notional amount of US$13.5 million.

A majority of the Group's borrowings is arranged on a short term revolving basis for the financing of the Group's daily working capital requirements. Of the total borrowings as at year end date, the maturity profile spread over a period of four years with US$346,522,000 repayable within one year and US$25,487,000 within four years.

Bank Borrowings

Details of bank borrowings of the Group and the Company are set out in note 41 to the consolidated financial statements. No interest was capitalised by the Group during the year.

Connected Transactions

The Company has entered into the following connected transactions during 2008 and up to the date of this annual report:

1. On 15th December, 2008, the Company entered into five share transfer agreements (“Share Transfer Agreements”) with Shanghai Universal Logistics Equipment Co., Ltd. (“Shanghai Universal”) under which the Company conditionally agreed to acquire from Shanghai Universal 20% equity interest in each of Hui Zhou Pacific Container Co., Ltd. (“Hui Zhou Pacific”) and Ningbo Pacific Container Co., Ltd. (“Ningbo Pacific”) at a cash consideration of RMB65,450,000 (equivalent to approximately HK$74,046,838) and RMB29,920,000 (equivalent to approximately HK$33,849,983) respectively, and to dispose its entire 20%, 20% and 10% equity interest in Dong Fang International Container (Guang Zhou) Co., Ltd., Dong Fang International Container (Jin Zhou) Co., Ltd. and Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd., respectively to Shanghai Universal at a cash consideration of RMB30,460,000 (equivalent to approximately HK$34,460,912), RMB30,500,000 (equivalent to approximately HK$34,506,166) and RMB11,820,000 (equivalent to approximately HK$13,372,553) (collectively the “Transactions”).

   As Shanghai Universal is a substantial shareholder of each of Hui Zhou Pacific and Ningbo Pacific, which are non-wholly owned subsidiaries of the Company, Shanghai Universal is a connected person of the Company and the Transactions therefore constitute connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

   Based on the five tests, certain percentage ratios exceeded 5% but less than 25%, the Transactions also constitute discloseable transactions of the Company under the Listing Rules.

   As certain percentage ratios exceeded 2.5% but less than 25% and the total considerations to be paid on the two aforesaid acquisitions and the total considerations to be received on the three aforesaid disposals would exceed HK$10,000,000, respectively, the Transactions fall under Rule 14A.16(5) of the Listing Rules. Accordingly, the Transactions were subject to the reporting, announcement and independent shareholders’ approval requirements of Chapter 14A of the Listing Rules.

The Transactions have been approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 21st January, 2009 by way of poll.

2. On 3rd March, 2009, the Company announced that the Company proposed to raise approximately HK$492.0 million in gross proceeds by issuing not less than 1,405,825,520 rights shares at the subscription price of HK$0.35 per rights share on the basis of two rights shares for every one existing share of the Company in issue (the "Rights Issue"). The Rights Issue was approved by the independent shareholders of the Company at an extraordinary general meeting held on 3rd April, 2009 by way of poll.

   Pacific International Lines (Private) Limited ("PIL") has undertaken to subscribe in the Rights Issue by taking up its entitlement of a total of 629,528,356 rights shares ("PIL's Rights Shares"). The Rights Issue (other than PIL's Rights Shares) is fully underwritten by DBS Asia Capital Limited (the "Underwriter"), on the terms and subject to the conditions set out in the underwriting agreement dated 3rd March, 2009 ("Underwriting Agreement") entered into among the Company, PIL and the Underwriter in relation to the Rights Issue. Pursuant to the sub-underwriting letter dated 3rd March, 2009 ("Sub-underwriting Letter") from the Underwriter to Strategic Times Limited ("STL"), a wholly-owned subsidiary of PIL and the confirmation of acceptance by STL, STL has undertaken to subscribe for up to 582,222,873 rights shares if called upon by the Underwriter on the terms and subject to the conditions set out therein. Under the terms of the Sub-underwriting Letter, STL is entitled to a sub-underwriting commission of 2% of the total subscription price of such 582,222,873 rights shares, payable by the Company to STL in cash upon completion of the Rights Issue.

   The sub-underwriting arrangement pursuant to the Underwriting Agreement and the Sub-underwriting Letter constitutes a connected transaction of the Company under the Listing Rules but is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

   Based on the sub-underwriting commission to be paid by the Company to STL in the amount of HK$4,075,560, the payment of such sub-underwriting commission to STL constitutes a connected transaction of the Company subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules. The sub-underwriting commission was determined among the parties on an arm's length basis having considered, among other things, the prevailing market condition and the commission payable in other similar transactions in the market. The Directors consider the sub-underwriting arrangement (including the sub-underwriting commission payable to STL) are on normal commercial terms and fair and reasonable and to be in the interests of the Company and its shareholders as a whole.

Continuing Connected Transactions

During 2008, the Group had the following continuing connected transactions:

1. On 31st December, 2007, Singamas Terminals (Hong Kong) Limited ("STHK"), a company engaged in the business of provision of mid-stream services and a wholly owned-subsidiary of the Company, entered into a terminal agreement (the "2008 Terminal Agreement") with Pacific International Lines (H.K.) Limited ("PILHK") to take effect from 1st January, 2008, for a term of three years and will be ending on 31st December, 2010. PILHK, a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors and shareholders of PIL, have beneficial interests, is an associate of PIL, the controlling and substantial shareholder of the Company, as defined under the Listing Rules. Since the 2008 Terminal Agreement involves transactions, which occur on a recurring basis over a period of time, the transactions constitute continuing connected transaction of the Company under the Listing Rules.

   It was estimated that the amount of STHK's transactions with PILHK, on annual basis, for the three years commencing on 1st January, 2008 would not exceed 2.5% for each of the percentage ratios, other than the profits ratio, in the threshold tests in Rule 14A.34 of the Listing Rules. Accordingly, the transactions are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders' approval requirements. Details of these continuing connected transactions have been disclosed by way of an announcement published in compliance with the Listing Rules.

2. On 11th April, 2006, Singamas Management Services Limited ("SMSL"), a wholly-owned subsidiary of the Company, entered into a master purchase agreement (the "2006 Master Purchase Agreement") with PIL for the sales of containers and other related equipment by the Group to PIL Group. In view that PIL is the controlling and substantial shareholder of the Company, as defined under the Listing Rules, PIL is a connected person of the Company and the entering into the 2006 Master Purchase Agreement would constitute a connected transaction. As the 2006 Master Purchase Agreement involves transactions, which occur on a recurring basis over a period of time, the transactions constitute continuing connected transactions of the Company. In view of certain percentage ratios would exceed 25% on an annual basis for the financial year ended 31st December, 2006 and for the two following financial years commenced from 1st January, 2007, the transactions are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. After obtaining the approval from the independent shareholders on 18th May, 2006, the 2006 Master Purchase Agreement has taken effect from 19th May, 2006 and had ended on 31st December, 2008.

On 11th April, 2008, SMSL entered into a master purchase agreement (the "2009 Master Purchase Agreement") with PIL to replace the 2006 Master Purchase Agreement. It was estimated that certain percentage ratios would exceed 25% on an annual basis for the financial year ending on 31st December, 2009 and for the two financial years commencing from 1st January, 2010, the transactions are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. After obtaining the approval from the independent shareholders on 6th June, 2008, the 2009 Master Purchase Agreement has taken effect from 1st January, 2009, and will be ending on 31st December, 2011.

The aforesaid continuing connected transactions have been approved by the Directors and the independent non-executive Directors have reviewed these transactions and are in the opinion that:-

(a) those continuing connected transactions between STHK and PILHK are entered into in the ordinary and usual course of business of the Group, conducted on normal commercial terms and entered into in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and on terms no less favourable than those available to or from independent third parties. The total amount of such transactions for the year ended on 31st December, 2008 did not exceed the annual cap of HK$51 million;

(b) those continuing connected transactions between SMSL and PIL are entered into in the ordinary and usual course of business of the Group, conducted on normal commercial terms and entered into in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and on terms no less favourable than those available to or from independent third parties. The total amount of such transactions for the year ended on 31st December, 2008 did not exceed the annual cap of US$105,800,000 (equivalent to approximately HK$819,950,000).

Pursuant to Rule 14A.38 of the Listing Rules, the board of Directors ("Board") engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the above continuing connected transactions of the Group and the auditors has reported their factual findings on these procedures to the Board.

Charges on Assets

As at 31st December, 2008, no asset of the Group (2007: nil) was pledged as securities to any third parties.

Contingent Liabilities

During 2008, the Company provided guarantees to banks as securities for credit facilities granted to certain subsidiaries and a jointly controlled entity in the PRC. As at 31st December, 2008, total amount of credit facilities of which guarantees were provided, utilised by the jointly controlled entity was US$12,435,000.

Share Capital

Details of share capital are set out in note 38 to the consolidated financial statements.

Corporate Governance

The Company committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Code on Corporate Governance Practices during the year ended 31st December, 2008.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report", "Audit Committee Report" and "Remuneration Committee Report".

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this annual report, the required standard set out in the Model Code.

Directors

The Directors during the year and up to the date of this annual report are:

Mr. Chang Yun Chung *(also known as Mr. Teo Woon Tiong)*
Mr. Teo Siong Seng
Mr. Hsueh Chao En
Mr. Jin Xu Chu
Mr. Ngan Man Kit, Alexander *(redesignated as executive Director on 15th October, 2008 and resigned on 1st January, 2009)*
Mr. Teo Tiou Seng
Mr. Kuan Kim Kin#
Mr. Ong Ka Thai*
Mr. Soh Kim Soon *(retired on 6th June, 2008)*
Mr. Yang, Victor* *(appointed on 15th April, 2008)*

* *Independent Non-executive Director*
\# *Non-executive Director*

In accordance with the provisions of the Company's articles of association, every Director not being a managing Director shall retire from office at annual general meetings and, being eligible, offer themselves for re-election. A Director so appointed as to the office of managing Director shall be subject to retirement by rotation at least once every three years but shall be eligible for re-election.

The term of office for independent non-executive Directors is for a year and is subject to retirement and re-election at the annual general meeting in accordance with the Company's articles of association.

The Company has received annual confirmation of independence from each of Mr. Ong Ka Thai and Mr. Yang, Victor and considered them as independent.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st December, 2008, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(A) Ordinary Shares of HK$0.10 each of the Company

		Number of Shares/Underlying Shares Held			
Name	Capacity	Personal Interest *(Note 4)*	Corporate Interest	Total Interest	Percentage of Issued Shares
Mr. Chang Yun Chung *(Notes 1 & 2)*	Beneficial Owner	850,000	314,764,178	315,614,178	44.90
Mr. Teo Siong Seng *(Note 3)*	Beneficial Owner	21,734,000	–	21,734,000	3.09

Notes:

(1) A total of 314,764,178 shares are held by PIL in which Mr. Chang Yun Chung is interested, in aggregate, in 496,800,000 shares representing 89.61% of the issued share capital of PIL. Mr. Chang Yun Chung's interest in shares of PIL comprises a personal interest in 79,275,000 shares and corporate interests in 175,500,000 shares through South Pacific International Holdings Limited, a company in which he holds 1.87% of the issued share capital and 242,025,000 shares through Y. C. Chang & Sons Private Limited, a company in which he holds 2.86% of the issued share capital. Messrs. Teo Siong Seng and Teo Tiou Seng, Directors, both of their interests in shares of PIL comprise personal interests in 3,600,000 shares and 2,400,000 shares respectively and representing 0.65% and 0.43% of the issued share capital of PIL.

(2) *The personal interest of Mr. Chang Yun Chung represents the interest in 850,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".*

(3) *The personal interest of Mr. Teo Siong Seng represents the interest in 13,234,000 shares and interest in 8,500,000 underlying shares in respect of the share options granted by the Company, the details of which are stated in the following section "Share Options".*

(4) *Other Directors do not hold any interests in the Company's securities, except for their interests in the underlying shares in respect of the share options granted by the Company, details of which are stated in the following section "Share Options".*

All the interests disclosed above represent long position in the shares and underlying shares of the Company.

(B) Share Options

Particulars of the Company's share option scheme are set out in note 39 to the consolidated financial statements.

Movements of the share options under the Company's share option scheme during the year is as follows:

Name/Category of Participants	Number of Share Options: As at 1st January, 2008	Granted	Exercised	Lapsed	As at 31st December, 2008	Grant Date	Exercisable Period *(Notes a & b)*	Exercise Price *HK$*
Directors/Former Directors								
Chang Yun Chung	200,000	–	–	–	200,000	28/6/2007	28/6/2008-27/6/2017	5.14
	200,000	–	–	–	200,000	28/6/2007	28/6/2009-27/6/2017	5.14
	200,000	–	–	–	200,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	83,333	–	–	83,333	6/8/2008	6/8/2009-5/8/2018	1.93
	–	83,333	–	–	83,333	6/8/2008	6/8/2010-5/8/2018	1.93
	–	83,334	–	–	83,334	6/8/2008	6/8/2011-5/8/2018	1.93
	600,000	250,000	–	–	850,000			
Teo Siong Seng	2,000,000	–	–	–	2,000,000	28/6/2007	28/6/2008-27/6/2017	5.14
	2,000,000	–	–	–	2,000,000	28/6/2007	28/6/2009-27/6/2017	5.14
	2,000,000	–	–	–	2,000,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	833,333	–	–	833,333	6/8/2008	6/8/2009-5/8/2018	1.93
	–	833,333	–	–	833,333	6/8/2008	6/8/2010-5/8/2018	1.93
	–	833,334	–	–	833,334	6/8/2008	6/8/2011-5/8/2018	1.93
	6,000,000	2,500,000	–	–	8,500,000			
Hsueh Chao En	500,000	–	–	–	500,000	28/6/2007	28/6/2008-27/6/2017	5.14
	500,000	–	–	–	500,000	28/6/2007	28/6/2009-27/6/2017	5.14
	500,000	–	–	–	500,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	200,000	–	–	200,000	6/8/2008	6/8/2009-5/8/2018	1.93
	–	200,000	–	–	200,000	6/8/2008	6/8/2010-5/8/2018	1.93
	–	200,000	–	–	200,000	6/8/2008	6/8/2011-5/8/2018	1.93
	1,500,000	600,000	–	–	2,100,000			
Jin Xu Chu	400,000	–	–	–	400,000	28/6/2007	28/6/2008-27/6/2017	5.14
	400,000	–	–	–	400,000	28/6/2007	28/6/2009-27/6/2017	5.14
	400,000	–	–	–	400,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	166,666	–	–	166,666	6/8/2008	6/8/2009-5/8/2018	1.93
	–	166,667	–	–	166,667	6/8/2008	6/8/2010-5/8/2018	1.93
	–	166,667	–	–	166,667	6/8/2008	6/8/2011-5/8/2018	1.93
	1,200,000	500,000	–	–	1,700,000			

Name/Category of Participants	Number of Share Options As at 1st January, 2008	Granted	Exercised	Lapsed	As at 31st December, 2008	Grant Date	Exercisable Period (Notes a & b)	Exercise Price HK$
Teo Tiou Seng	100,000	–	–	–	100,000	28/6/2007	28/6/2008-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2009-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	40,000	–	–	40,000	6/8/2008	6/8/2009-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2010-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2011-5/8/2018	1.93
	300,000	120,000	–	–	420,000			
Kuan Kim Kin	100,000	–	–	–	100,000	28/6/2007	28/6/2008-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2009-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	40,000	–	–	40,000	6/8/2008	6/8/2009-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2010-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2011-5/8/2018	1.93
	300,000	120,000	–	–	420,000			
Ngan Man Kit, Alexander *(Note d)*	100,000	–	–	–	100,000	28/6/2007	28/6/2008-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2009-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	40,000	–	–	40,000	6/8/2008	6/8/2009-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2010-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2011-5/8/2018	1.93
	300,000	120,000	–	–	420,000			
Ong Ka Thai	100,000	–	–	–	100,000	28/6/2007	28/6/2008-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2009-27/6/2017	5.14
	100,000	–	–	–	100,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	40,000	–	–	40,000	6/8/2008	6/8/2009-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2010-5/8/2018	1.93
	–	40,000	–	–	40,000	6/8/2008	6/8/2011-5/8/2018	1.93
	300,000	120,000	–	–	420,000			
Soh Kim Soon *(Note c)*	100,000	–	–	100,000	–	28/6/2007	28/6/2008-27/6/2017	5.14
	100,000	–	–	100,000	–	28/6/2007	28/6/2009-27/6/2017	5.14
	100,000	–	–	100,000	–	28/6/2007	28/6/2010-27/6/2017	5.14
	300,000	–	–	300,000	–			
Sub-total	10,800,000	4,330,000	–	300,000	14,830,000			
Employees *(Note e)* **In aggregate**								
	2,300,000	–	–	300,000	2,000,000	28/6/2007	28/6/2008-27/6/2017	5.14
	2,300,000	–	–	300,000	2,000,000	28/6/2007	28/6/2009-27/6/2017	5.14
	2,300,000	–	–	300,000	2,000,000	28/6/2007	28/6/2010-27/6/2017	5.14
	–	1,176,666	–	–	1,176,666	6/8/2008	6/8/2009-5/8/2018	1.93
	–	1,176,667	–	–	1,176,667	6/8/2008	6/8/2010-5/8/2018	1.93
	–	1,176,667	–	–	1,176,667	6/8/2008	6/8/2011-5/8/2018	1.93
Sub-total	6,900,000	3,530,000	–	900,000	9,530,000			
All other employees In aggregate								
	766,666	–	–	33,333	733,333	28/6/2007	28/6/2008-27/6/2017	5.14
	766,667	–	–	33,333	733,334	28/6/2007	28/6/2009-27/6/2017	5.14
	766,667	–	–	33,334	733,333	28/6/2007	28/6/2010-27/6/2017	5.14
	–	333,333	–	–	333,333	6/8/2008	6/8/2009-5/8/2018	1.93
	–	333,333	–	–	333,333	6/8/2008	6/8/2010-5/8/2018	1.93
	–	333,334	–	–	333,334	6/8/2008	6/8/2011-5/8/2018	1.93
Sub-total	2,300,000	1,000,000	–	100,000	3,200,000			
Total	20,000,000	8,860,000	–	1,300,000	27,560,000			

Notes:

(a) The share options with the exercise price of HK$5.14 are vested or to be vested and exercisable in three tranches on 28th June, 2008, 2009 and 2010 respectively and up to 27th June, 2017.

(b) The share options with the exercise price of HK$1.93 are to be vested and exercisable in three tranches on 6th August, 2009, 2010 and 2011 respectively and up to 5th August, 2018.

(c) Mr. Soh Kim Soon retired as a Director at the 2008 annual general meeting held on 6th June, 2008 and did not offer himself for re-election.

(d) Mr. Ngan Man Kit, Alexander resigned as a Director with effect from 1st January, 2009. Pursuant to the Company's share option scheme, Mr. Ngan had one month to exercise his vested share options from the effective date of his resignation, while the unvested share options has been lapsed at the date of resignation.

(e) Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

Other than those disclosed in note 47 to the consolidated financial statements (which were approved by the independent non-executive Directors and in the opinion of the Directors were carried out on normal commercial terms and in ordinary course of the Group's business), no contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

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

Substantial Shareholders' Interests

As at 31st December, 2008, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any Director, the following persons (other than the interests of certain Directors disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above), had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	*Notes*	Number of Ordinary Shares of HK$0.10 Each Direct Interest	 Indirect Interest	Percentage of Total Issued Shares
Madam Lee Kheng Wah	*(1)*	–	315,614,178 (L)#	44.90
PIL	*(2)*	314,764,178(L)#	–	44.78
Shah Capital Management		38,347,500(L)#	–	5.45
UBS AG		40,958,800(L)# 1,822,800(S)#	– –	5.83 0.26
Y.C. Chang & Sons Private Limited	*(3)*	–	314,764,178 (L)#	44.78

(L)# – Long Position
(S)# – Short Position

Notes:

(1) Madam Lee Kheng Wah, as the spouse of Mr. Chang Yun Chung, is deemed to be interested in these shares.

(2) A full explanation of these shares is disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

(3) As Y.C. Chang & Sons Private Limited directly controls one-third or more of the voting rights in the shareholders' meeting of PIL, in accordance with SFO, Y.C. Chang & Sons Private Limited is deemed to be interested in PIL's interests in the Company's issued shares.

Save as disclosed above, there was no other person known to the Directors, other than the Directors, who, as at 31st December, 2008, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Directors' Service Agreement

Mr. Teo Siong Seng entered into a service agreement with the Company. Unless terminated by cause, the service agreement is valid for an initial term of three years which commenced on 1st January, 2008. Thereafter, the service agreement is valid for a further three years, unless terminated by either party giving at least three months' notice. As at 31st December, 2008, no other Directors or proposed directors had any existing service contract or proposed service contract with the Company or any of its subsidiaries which is not terminable by the Company within one year without payment of compensation.

Major Customers and Suppliers

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

	Percentage
Percentage of purchases attributable to the Group's largest supplier	17.1
Percentage of purchases attributable to the Group's five largest suppliers	45.1
Percentage of sales attributable to the Group's largest customer	11.4
Percentage of sales attributable to the Group's five largest customers	34.3

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

Purchase, Sale or Redemption of Listed Securities

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

Management Contracts

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

Retirement Benefits Scheme

Details of the Retirement Benefits Scheme are set out in note 14 to the consolidated financial statements.

Particular of Directors and Senior Management Executives

Brief biographical details of the Directors and senior management executives of the Company are set out on pages 17 to 21 under the Directors and Senior Management Profile section of this annual report.

Remuneration Policies and Employee Relations

As at 31st December, 2008, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 8,356 (2007: 12,361) full-time employees. Staff costs (including Directors' emoluments) amounted to US$76.9 million (2007: US$78.1 million) for the year. All full-time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus. Factory workers are being remunerated based on a basic wage plus production incentive. Share options are also being offered to selected grantees of the Group. The Group ensures that the pay levels of its employees are competitive and employees are awarded on a performance related basis within the general framework of the Group's salary and bonus system. To further enhance the capability of its human resource, the Group provides on-the-job training to its employees.

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

Public Float

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

Disclosures Pursuant to Rule 13.21 of the Listing Rules

On 20th May, 2005, the Company entered into a facility agreement (the "Facility Agreement") with a syndicate of banks in respect of the US$100,000,000 term loan and revolving credit facilities ("Facility") for a term of five years for the purposes of refinancing the US$40,000,000 term loan and revolving credit facilities provided to the Company under a facility agreement dated 30th September, 2003 between the Company and a group of financial institutions named therein and funding certain business acquisitions and the working capital requirements of the Group. The Facility Agreement includes conditions to the effect that PIL, a substantial and controlling shareholder of the Company, continues to be the controlling shareholder (as defines in the Listing Rules) and the single largest beneficial shareholder of the Company. A breach of the above conditions would constitute an event of default under the Facility Agreement. If such an event of default occurs, all amounts outstanding under the Facility may become immediately due and payable. This disclosure is made in accordance with the continuing disclosure requirement under the Listing Rules.

Auditors

A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chang Yun Chung
Chairman

Hong Kong, 15th April, 2009

Audit Committee Report

The Audit Committee comprises of three members, two of whom are independent non-executive Directors appointed by the Board who have extensive experience in financial matters. Neither of them are employed by or otherwise affiliated with the former or existing external auditors of the Company.

The Audit Committee has been established to investigate any activity within its terms of reference and make recommendations to the Board for any necessary improvement. Full terms of reference are available on the Company's website (www.singamas.com).

The Audit Committee is provided with sufficient resources to discharge its duties. The Audit Committee is accountable to the Board and minutes of meetings are circulated to the Board for information.

The following is a summary of the work of the Audit Committee during the year under review:

1. reviewed the Group's consolidated financial reports for the year ended 31st December, 2007 and for the six months ended 30th June, 2008;

2. reviewed the external auditors' statutory audit plan and the letters of representation;

3. reviewed the findings and recommendations of the internal auditors;

4. considered and approved the 2008 audit fees for the external auditors;

5. reviewed the "connected transactions" set forth on pages 44 to 45 of this annual report;

6. reviewed the "continuing connected transactions" set forth on pages 46 to 47 of this annual report; and

7. reviewed the effectiveness of the internal control system of the Group.

On 14th April, 2009, the Audit Committee met to review the 2008 consolidated financial statements, including the accounting principles and practices adopted by the Group, in conjunction with external auditors. Based on this review and discussions with the management, internal auditors and external auditors, the Audit Committee endorsed the accounting treatment adopted by the Company and had, to the best of its ability, assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix 16 of the Listing Rules. The Audit Committee therefore recommended the Board's approval of the consolidated financial statements for the year ended 31st December, 2008 for public release.

The Audit Committee also recommended the re-appointment of Deloitte Touche Tohmatsu as the Group's external auditors for 2009 and that the related resolution shall be put forth for shareholders' consideration and approval at the 2009 annual general meeting.

The Audit Committee has regular meetings at least twice a year. In 2008, a total of four meetings were convened and held and the attendance rate was 100%.

Current Members of the Audit Committee
Ong Ka Thai *(Chairman)*
Kuan Kim Kin
Yang, Victor

Hong Kong, 15th April, 2009

Remuneration Committee Report

Appointed by the Board, the Remuneration Committee comprises of three members, two of whom are independent non-executive Directors.

Reporting to the Board, the Remuneration Committee has been established to review the Company's hiring policy and remunerations of the Company's Directors and senior management. Full terms of reference are available on the Company's website (www.singamas.com).

The following is a summary of the work of the Remuneration Committee during the year under review:

1. reviewed and made recommendations to the Board on the Company's Directors' fees for the financial year of 2008;

2. reviewed and made recommendations to the Board on the salary increment of the Company's executive Directors and senior management staff;

3. formulated service contracts for the Company's executive Directors and senior management staff;

4. reviewed and made recommendations to the Board on the Company's annual performance-based bonus policy and payments; and

5. proposed to the Board a list of selected grantees to whom share options would be granted under the share option scheme which was approved and adopted by shareholders of the Company on 1st June, 2007.

Details of the remunerations of all Directors are set out in the "Directors' and Five Highest Paid Individuals' Emoluments" section under the notes to the consolidated financial statements on pages 118 to 119.

The Remuneration Committee meets at least once a year. During the year under review, a total of three meetings were convened and held and the attendance rate was 100%.

Current Members of the Remuneration Committee
Yang, Victor *(Chairman)*
Kuan Kim Kin
Ong Ka Thai

Hong Kong, 15th April, 2009

Deloitte.
德勤

TO THE SHAREHOLDERS OF SINGAMAS CONTAINER HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Singamas Container Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 166, which comprise the consolidated and Company balance sheets as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15th April, 2009

Consolidated Income Statement

	Notes	2008 US$'000	2007 US$'000
Revenue	7	**1,385,269**	1,546,042
Other income	9	**1,704**	3,204
Changes in inventories of finished goods and work in progress		**(44,962)**	40,986
Raw materials and consumables used		**(1,090,505)**	(1,317,626)
Staff costs		**(76,879)**	(78,055)
Depreciation and amortisation expense		**(16,658)**	(16,361)
Exchange gain (loss)		**8,296**	(4,013)
Other expenses		**(93,396)**	(129,681)
Profit from operations		**72,869**	44,496
Finance costs	10	**(28,108)**	(29,432)
Investment income	11	**2,046**	1,885
Changes in fair value of derivative financial instruments classified as held for trading		**(30,457)**	24,881
Share of results of associates		**1,292**	(1,256)
Share of results of jointly controlled entities		**532**	420
Profit before taxation	12	**18,174**	40,994
Income tax expense	15	**(6,900)**	(6,635)
Profit for the year		**11,274**	34,359
Attributable to:			
Equity holders of the Company		**4,515**	33,994
Minority interests		**6,759**	365
		11,274	34,359
Earnings per share	17		
Basic and Diluted		**US0.64 cent**	US5.37 cents

Consolidated Balance Sheet

As at 31st December, 2008

	Notes	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment	18	**188,103**	178,922
Patents	19	**1,316**	1,806
Goodwill	20	**5,280**	5,280
Interests in associates	23	**4,962**	9,432
Interests in jointly controlled entities	24	**26,461**	23,280
Available-for-sale investments	26	**1,614**	3,174
Prepaid lease payments	27	**60,827**	60,829
Deferred tax assets	42	**574**	5,697
Other assets	28	**–**	84
		289,137	288,504
Current assets			
Inventories	29	**300,441**	298,250
Trade receivables	30	**94,706**	153,703
Prepayments and other receivables	31	**50,052**	197,473
Amounts due from fellow subsidiaries	25	**235**	334
Amounts due from associates	25	**1**	11
Amounts due from jointly controlled entities	25	**8,500**	4,334
Amount due from a related company	32	**1,414**	1,366
Tax recoverable		**105**	74
Derivative financial instruments	33	**–**	27,160
Prepaid lease payments	27	**1,420**	1,380
Bank balances and cash	34	**153,647**	119,048
		610,521	803,133
Assets classified as held for sale	23 & 26	**7,425**	–
		617,946	803,133

	Notes	2008 US$'000	2007 US$'000
Current liabilities			
Trade payables	35	86,670	140,806
Accruals and other payables		46,887	83,972
Bills payable	36	17,022	83,857
Amount due to ultimate holding company	25	447	166
Amounts due to associates	25	1,306	2,223
Amounts due to jointly controlled entities	25	2,867	40
Tax payable		341	7,490
Derivative financial instruments	33	13,000	–
Deferred payable	37	165	182
Bank borrowings	41	346,522	327,723
		515,227	646,459
Net current assets		102,719	156,674
Total assets less current liabilities		391,856	445,178
Capital and reserves			
Share capital	38	9,025	9,025
Share premium		145,646	145,646
Accumulated profits		125,251	129,129
Other reserves		27,872	22,055
Equity attributable to equity holders of the Company		307,794	305,855
Minority interests		56,930	50,013
Total equity		364,724	355,868
Non-current liabilities			
Deferred payable	37	1,645	1,810
Bank borrowings	41	25,487	87,500
		27,132	89,310
		391,856	445,178

The consolidated financial statements on pages 63 to 166 were approved and authorised for issue by the Board of Directors on 15th April, 2009 and are signed on its behalf by:

Teo Siong Seng
Director

Teo Tiou Seng
Director

Balance Sheet

As at 31st December, 2008

	Notes	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment	18	**4,116**	4,248
Patents	19	**717**	917
Investments in subsidiaries	21	**191,294**	169,791
Investments in associates	23	**757**	8,757
Investments in jointly controlled entities	24	**10,265**	10,265
Available-for-sale investments	26	**669**	2,229
		207,818	196,207
Current assets			
Prepayments and other receivables		**5,346**	2,644
Amounts due from subsidiaries	22	**229,575**	243,782
Amount due from a fellow subsidiary	25	**1**	11
Amounts due from associates	25	**–**	3,357
Amounts due from jointly controlled entities	25	**1,139**	605
Derivative financial instruments	33	**–**	27,160
Bank balances and cash	34	**58,522**	11,893
		294,583	289,452
Assets classified as held for sale	23 & 26	**7,425**	–
		302,008	289,452

	Notes	2008 US$'000	2007 US$'000
Current liabilities			
Accruals and other payables		2,454	4,069
Bills payable		–	103
Amounts due to subsidiaries	22	75,908	40,214
Amount due to ultimate holding company	25	257	166
Amounts due to associates	25	233	316
Amounts due to jointly controlled entities	25	2,778	–
Tax payable		–	5,608
Derivative financial instruments	33	13,000	–
Deferred payable	37	165	182
Bank borrowings	41	173,338	77,500
		268,133	128,158
Net current assets		33,875	161,294
Total assets less current liabilities		241,693	357,501
Capital and reserves			
Share capital	38	9,025	9,025
Share premium	40	145,646	145,646
Share options reserve	40	4,130	1,877
Accumulated profits	40	81,247	111,643
		240,048	268,191
Non-current liabilities			
Deferred payable	37	1,645	1,810
Bank borrowings	41	–	87,500
		1,645	89,310
		241,693	357,501

Teo Siong Seng
Director

Teo Tiou Seng
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2008

	Attributable to equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Revaluation reserve US$'000	Share option reserve US$'000	Accumulated profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
At 1st January, 2007	7,844	98,011	2,358	7,701	2,526	1,361	–	106,345	226,146	43,135	269,281
Exchange differences arising on translation recognised directly in equity	–	–	2,780	–	–	–	–	–	2,780	818	3,598
Profit for the year	–	–	–	–	–	–	–	33,994	33,994	365	34,359
Total recognised income for the year	–	–	2,780	–	–	–	–	33,994	36,774	1,183	37,957
Issue of ordinary shares on placing	1,181	48,865	–	–	–	–	–	–	50,046	–	50,046
Share issue expenses	–	(1,230)	–	–	–	–	–	–	(1,230)	–	(1,230)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,877	–	1,877	–	1,877
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(577)	(577)
Capital contribution from minority interests	–	–	–	–	–	–	–	–	–	410	410
Partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	10,683	10,683
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	(4,821)	(4,821)
Dividend paid to equity holders of the Company	–	–	–	–	–	–	–	(7,758)	(7,758)	–	(7,758)
Transfer from accumulated profits	–	–	–	3,154	298	–	–	(3,452)	–	–	–
At 31st December, 2007	9,025	145,646	5,138	10,855	2,824	1,361	1,877	129,129	305,855	50,013	355,868
Attributable to:											
– The Company and subsidiaries	9,025	145,646	3,066	9,711	2,379	1,361	1,877	94,888	267,953	50,013	317,966
– Associates	–	–	637	669	22	–	–	2,823	4,151	–	4,151
– Jointly controlled entities	–	–	1,435	475	423	–	–	31,418	33,751	–	33,751
At 1st January, 2008	9,025	145,646	5,138	10,855	2,824	1,361	1,877	129,129	305,855	50,013	355,868

	Attributable to equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Exchange translation reserve US$'000	General reserve US$'000	Development reserve US$'000	Revaluation reserve US$'000	Share option reserve US$'000	Accumulated profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
Exchange differences arising on translation recognised directly in equity	–	–	3,043	–	–	–	–	–	3,043	978	4,021
Profit for the year	–	–	–	–	–	–	–	4,515	4,515	6,759	11,274
Total recognised income for the year	–	–	3,043	–	–	–	–	4,515	7,558	7,737	15,295
Recognition of equity-settled share-based payments	–	–	–	–	–	–	2,503	–	2,503	–	2,503
Transfer of forfeited option reserve to accumulated profits	–	–	–	–	–	–	(250)	250	–	–	–
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	(820)	(820)
Dividend paid to equity holders of the Company	–	–	–	–	–	–	–	(8,122)	(8,122)	–	(8,122)
Transfer from accumulated profits	–	–	–	288	233	–	–	(521)	–	–	–
At 31st December, 2008	**9,025**	**145,646**	**8,181**	**11,143**	**3,057**	**1,361**	**4,130**	**125,251**	**307,794**	**56,930**	**364,724**
Attributable to:											
– The Company and subsidiaries	9,025	145,646	5,158	9,991	2,611	1,361	4,130	89,196	267,118	56,930	324,048
– Associates	–	–	740	673	22	–	–	4,110	5,545	–	5,545
– Jointly controlled entities	–	–	2,283	479	424	–	–	31,945	35,131	–	35,131
	9,025	**145,646**	**8,181**	**11,143**	**3,057**	**1,361**	**4,130**	**125,251**	**307,794**	**56,930**	**364,724**

Pursuant to the relevant People's Republic of China ("PRC") (other than Hong Kong, Macau and Taiwan) regulations applicable to the Group's PRC subsidiaries, associates and jointly controlled entities, these entities have to provide for the PRC statutory reserves before declaring dividends to their shareholders as approved by the board of directors. The reserves, which include general reserve and development reserve, are not distributable until the end of the operation periods of the respective entities, at which time any remaining balance of the reserves can be distributed to shareholders upon liquidation of the subsidiaries, associates and jointly controlled entities. The general reserve can be used to offset accumulated losses of the entities. The general reserve and development reserve can be used to increase capital upon approval from the PRC relevant authority. The distributable profits of the subsidiaries, associates and jointly controlled entities are determined based on their accumulated profits calculated in accordance with the PRC accounting rules and regulations.

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	2008 US$'000	2007 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,174	40,994
Adjustments for:		
Depreciation	14,660	14,396
Gain on disposal of property, plant and equipment	(229)	(114)
Gain on disposal of land use rights	–	(46)
Gain on partial disposal of a subsidiary	–	(1,219)
Share of results of associates	(1,292)	1,256
Share of results of jointly controlled entities	(532)	(420)
Amortisation of patents	490	364
Amortisation of prepaid lease payments	1,424	1,196
Amortisation of other assets	84	405
Allowance for write-down of inventories	–	1,185
Allowance for bad and doubtful debts	–	256
Amounts of doubtful debts recovered	(38)	(29)
Recognition of equity-settled share-based payments	2,503	1,877
Impairment of goodwill	–	318
Investment income	(2,046)	(1,885)
Interest expense	24,554	28,236
Imputed interest on deferred payable	60	42
Operating cash flows before movements in working capital	57,812	86,812
Increase in inventories	(2,191)	(58,560)
Decrease in trade receivables	59,035	25,954
Decrease (increase) in prepayments and other receivables	156,418	(14,412)
Increase in amount due from a related company	(48)	(487)
(Decrease) increase in trade payables	(60,552)	10,018
Decrease in accruals and other payables	(36,809)	(8,776)
Decrease in bills payable	(66,835)	(46,570)
Decrease (increase) in derivative financial instruments	40,160	(19,625)
Cash from (used in) operations	146,990	(25,646)
Interest paid	(26,702)	(26,191)
Income tax paid	(8,957)	(5,832)
Net cash from (used in) operating activities	111,331	(57,669)

	2008 US$'000	2007 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22,533)	(24,208)
Payment of prepaid lease payments	–	(6,727)
Capital contributions in investment in jointly controlled entities	(2,176)	(3,465)
Purchase of patents	–	(1,050)
Decrease in deferred payable	(242)	(242)
Proceeds on disposal of property, plant and equipment	609	518
Proceeds on disposal of land use rights	–	501
Capital contribution in a subsidiary	–	(577)
Proceeds on partial disposal of a subsidiary	–	11,902
Dividends received from associates and jointly controlled entities	375	3,909
Interest received	1,795	1,733
Dividend income from unlisted equity investment	251	152
Advances made to fellow subsidiaries	(2,261)	(2,624)
Repayment received from fellow subsidiaries	2,360	2,560
Repayment received from associates	10	–
Advances made to jointly controlled entities	(22,091)	(9,823)
Repayment received from jointly controlled entities	17,925	5,964
Net cash used in investing activities	(25,978)	(21,477)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	592,607	536,589
Repayment of bank loans	(639,349)	(454,195)
Dividends paid to minority interests	(820)	(4,821)
Capital contributed by minority shareholders	–	410
Dividends paid to equity holders of the Company	(8,122)	(7,758)
Proceeds from issue of shares	–	50,046
Share issue expenses	–	(1,230)
Advance from ultimate holding company	5,043	709
Repayment to ultimate holding company	(4,762)	(2,154)
Repayment to associates	(917)	(60)
Advances from (repayment to) jointly controlled entities	2,827	(31)
Net cash (used in) from financing activities	(53,493)	117,505
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,860	38,359
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	119,048	80,659
Effect of foreign exchange rate changes	2,739	30
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	153,647	119,048
BALANCE OF CASH AND CASH EQUIVALENTS REPRESENTED BY:		
Bank balances and cash	153,647	119,048

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 ("Stock Exchange"). 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 financial statements are presented in United States dollars ("US$"), which is the same as the functional currency of the Company.

The Group is principally engaged in the businesses of manufacturing of containers and other related products and providing logistics services.

2 Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following amendment and interpretations ("INTs") ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of these new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

2 Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Eligible Hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments [2]
HKFRS 8	Operating Segments [2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives [4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate [2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation [6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners [3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers [7]

[1] *Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009*

[2] *Effective for annual periods beginning on or after 1st January, 2009*

[3] *Effective for annual periods beginning on or after 1st July, 2009*

[4] *Effective for annual periods ending on or after 30th June, 2009*

[5] *Effective for annual periods beginning on or after 1st July, 2008*

[6] *Effective for annual periods beginning on or after 1st October, 2008*

[7] *Effective for transfer on or after 1st July, 2009*

The application of HKFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 23 (Revised) will affect the accounting treatment for capitalisation of borrowing costs for future developments. The directors of the Company ("Directors") anticipate that the application of the other new and revised standards, amendments or INTs will have no material impact on the results of the Group and the financial position of the Group and the Company.

3 Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on 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.

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets 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.

3 Significant Accounting Policies *(Continued)*

(b) Business combinations

The acquisition of businesses 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 acquire, 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 Business Combinations 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.

(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.

3 Significant Accounting Policies *(Continued)*

(d) Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired. The identifiable assets, liabilities and contingent liabilities of the subsidiary at the time of the acquisition of additional interest continue to be carried at their then book value in the consolidated balance sheet. The difference between the fair value of the net assets and the book value of the net assets attributable to the additional interest acquired is recognised as reserve. This reserve represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

(e) 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 consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). 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 associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of future losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3 Significant Accounting Policies *(Continued)*

(e) Investments in associates *(Continued)*

Where a group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Investments in associates are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sales is highly probable and the investments in associates are available for immediate sale in its present condition. Investments in associates classified as held for sale are no longer accounted for using equity method of accounting and are measured at the lower of the assets' (disposal groups') carrying amount and fair value less costs to sell.

(f) 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 venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated 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 entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of future losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of that jointly controlled entity.

3 Significant Accounting Policies *(Continued)*

(f) Interests in joint ventures *(Continued)*

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with its jointly controlled entities of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

(g) Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of net assets and operation of another entity for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operation of another entity, 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 (see the accounting policy below).

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of net assets and operation of another entity for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of net assets and operation of another entity is presented separately in the consolidated balance sheet.

3 Significant Accounting Policies *(Continued)*

(g) Goodwill *(Continued)*

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill arising from an acquisition of net assets and operation of another entity is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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 for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised but not yet impaired is included in the determination of the amount of profit or loss on disposal.

(h) Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sales is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (or disposal group) classified as held for sale are measured at the lower of the assets' (disposal groups') previously carrying amount and fair value less costs to sell.

3 Significant Accounting Policies *(Continued)*

(i) Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress and freehold land, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Estimated useful life
Leasehold land and buildings and site improvements outside Hong Kong	
– on medium term lease	20 to 50 years
– on short lease	5 years
Buildings and site improvements in Hong Kong	
– on short lease	1 to 10 years
Plant and machinery	5 to 15 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 10 years

Construction in progress including property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress and freehold land are stated at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences where the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3 Significant Accounting Policies *(Continued)*

(i) Property, plant and equipment *(Continued)*

Leasehold land and buildings under development for owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

(j) Impairment losses on tangible and intangible assets other than goodwill

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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3 Significant Accounting Policies *(Continued)*

(k) 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.

(l) Patents

Patents represent the cost of acquiring rights to technical know-how for the production and sale of new products. Patents are measured initially at purchase cost and are amortised on a straight-line basis over the shorter of contractual life or estimated useful lives of 5 to 10 years.

(m) 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. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as hedging instruments.

Financial assets at fair value through profit or loss include held-for trading derivative financial instruments that are not designated and effective as hedging instruments. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from fellow subsidiaries, associates, jointly controlled entities and a related company and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets as FVTPL, loans and receivables or held-to-maturity investments. The Group designated the unquoted equity investments as available-for-sale financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition or the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment of financial assets (Continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit and loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade payables, other payables, bills payable, amounts due to ultimate holding company, associates and jointly controlled entities and deferred payable are subsequently measured at amortised cost, using the effective interest method.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(ii) Financial liabilities and equity *(Continued)*

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as hedging instruments.

Equity instruments

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

(iii) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3 Significant Accounting Policies *(Continued)*

(m) Financial instruments *(Continued)*

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business net of discounts and sales related taxes.

Revenue from manufacturing operations is recognised either at the containers being delivered and title has passed to customers or acceptance notes being issued by customers; depending on the terms of the underlying sales contracts.

3 Significant Accounting Policies *(Continued)*

(n) Revenue recognition *(Continued)*

Revenue from logistics services operations is recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established.

(o) 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 in the consolidated income statements on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals 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 recognised as a reduction of rental expense over the lease term on a straight-line basis.

3 Significant Accounting Policies *(Continued)*

(p) 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 consolidated 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 by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3 Significant Accounting Policies *(Continued)*

(q) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the group entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in 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 each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 retranslated.

Exchange difference arising on the settlement of monetary items, and on retranslation of monetary items, are recognised in profit or loss in the period in which they arise. 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 exchange 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 the 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.

3 Significant Accounting Policies *(Continued)*

(r) Retirement benefit costs

In respect of the subsidiaries in the PRC, the Group contributes to a state-sponsored retirement benefit schemes operated by the PRC government. Contribution payable by the Group to the schemes is charged to the income statement when employees have rendered services entitling them to the contributions.

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 when employees have rendered services entitling them to the contributions.

Effective from 1st December, 2000, the Group operates and contributes to Mandatory Provident Fund ("MPF") schemes which are 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 when employees have rendered services entitling them to the contributions.

(s) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

(t) Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

3 Significant Accounting Policies *(Continued)*

(t) Share-based payments *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4 Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 Key Sources of Estimation Uncertainty *(Continued)*

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables taking into consideration the estimation of future cash flows. The allowance is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). 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. As at 31st December, 2008, the carrying amount of trade receivables was US$94,706,000 (net of allowance for doubtful debts of US$11,000) (2007: US$153,703,000 (net of allowance for doubtful debts of US$289,000)).

Recognition of deferred tax asset in respect of unused tax losses

At the balance sheet date, the Group has unused tax losses of US$53,493,000 (2007: US$41,344,000) available for offset against future profits, tax losses of US$12,835,000 (2007: US$26,907,000) has been recognised as deferred tax assets in the Group's balance sheet as set out in note 42. No deferred tax asset has been recognised on the tax losses of US$40,658,000 (2007: US$14,437,000) due to the unpredictability of future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

Fair value of derivative financial instruments

As described in note 6c, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The fair value of the derivative financial instruments as at 31st December, 2008 was estimated at a liability of US$13,000,000 (2007: assets of US$27,160,000).

5 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 41, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The Directors review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6 Financial Instruments

a. Categories of financial instruments

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Fair value through profit or loss (FVTPL)				
Derivative financial instruments held for trading	**–**	27,160	**–**	27,160
Loans and receivables (including cash and cash equivalents)	**268,349**	335,323	**293,252**	260,380
Available-for-sale financial assets	**1,614**	3,174	**669**	2,229
Financial liabilities				
Fair value through profit or loss (FVTPL)				
Derivative financial instruments held for trading	**13,000**	–	**13,000**	–
Amortised cost	**493,811**	657,751	**254,324**	207,791

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices

The Group's and the Company's major financial instruments include equity, bank borrowings, available-for-sale investments, derivative financial instruments, trade receivables, other receivables, trade payables, bills payable, other payables, deferred payable and current accounts with ultimate holding company, associates, jointly controlled entities and subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, bank and cash and bank borrowings, which expose the Group to foreign currency risk. Approximately 30% of the Group's cost of sales and expenses are denominated in currencies other than the functional currency of the relevant group entity making the sales, whilst almost 98% of sales are denominated in the group entity's functional currency.

Most of the monetary assets and monetary liabilities of the Company are denominated in US$, the functional currency of the Company.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Currency of PRC	**165,140**	248,536	**87,775**	97,787
Currency of Hong Kong	**1,651**	1,575	**4,791**	6,166
Other	**–**	–	**–**	506

Sensitivity analysis

The Group is mainly exposed to exchange fluctuation of the currency of PRC (Renminbi ("RMB")).

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

The sensitivity analyses include financial assets and liabilities denominated in foreign currencies which are different from the functional currency of the relevant Group entities. The following table shows the profit or loss impact of the foreign currency denominated non-derivative monetary assets and liabilities to change in RMB for the Group. The numbers below indicate the (decrease) increase in profit where RMB is 5% higher/lower against the US$. This is mainly attributable to the exposure outstanding at the balance sheet dates on RMB bank balances, bank borrowings and payables net of receivables assuming they are outstanding for the whole year:

	2008 **US$'000**	2007 US$'000
RMB against US$ increase 5%	**(3,684)**	(7,179)
RMB against US$ decrease 5%	**3,684**	7,179

(ii) Cash flow interest rate risk

The Group's and the Company's cash flow interest rate risk primarily relates to floating rate borrowings and variable rate bank balances. Interest rate risk on bank balances is considered immaterial due to short maturity. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk on non-derivative financial instruments is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and borrowing rates offered by People's Bank of China arising from the Group's and the Company's variable-rate borrowings.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(ii) Cash flow interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the balance sheet date. For floating rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point (2007: 50 basis point) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points (2007: 50 basis points) higher/lower and all other variables were held constant, the Group's and the Company's post-tax profit for the year ended 31st December, 2008 would decrease/increase by US$1,154,000 (2007: decrease/increase by US$2,076,000) and decrease/increase by US$724,000 (2007: decrease/increase by US$825,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in floating rate bank borrowings.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to equity price risk through its investments in unquoted equity securities. No sensitivity analysis is presented as the Group's investments in unquoted equity securities are measured at cost less any identified impairment losses at each balance sheet date.

In addition, the Company has entered into certain swap derivatives. As at 31st December, 2008, the Company has an outstanding swap contract with an aggregate remaining notional amount of US$13,500,000 (2007: US$159,000,000) in relation to change in spot rate of RMB against US$ ("FOREX") and Constant Maturity Swap ("CMS"), which expose the Group and the Company to price risk.

Sensitivity analysis for 2008 – FOREX and CMS derivatives

As a 5 basis point increase/decrease in the volatility of CMS, being the reasonably possible change used by the management for internal reporting purpose, would not affect the fair value of the remaining swap contracts, no sensitivity analysis is presented for possible increase/decrease to the volatility of CMS as at 31st December, 2008.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$. Five per cent. is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analyses include only outstanding swap derivatives as at 31st December, 2008 and adjust at the year end for a 5% change in foreign currency rates if applicable, holding other variables constant.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis for 2008 – FOREX and CMS derivatives *(Continued)*

The table shows the profit or (loss) impact of the swap derivatives to income statement due to change in RMB against US$ (for the Group and the Company). The numbers below indicate the increase (decrease) in profit where RMB is 5% higher/lower against the US$, and all other variables were held constant:

	2008 **US$'000**
RMB against US$ increase 5%	**710**
RMB against US$ decrease 5%	**(650)**

Sensitivity analysis for 2007 – FOREX and CMS derivatives

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$ and to increase/decrease volatility of CMS due to a 5 basis point higher/lower of CMS in the relevant swap contracts as at 31st December, 2007. Five per cent. and 5 basis point are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates and the relevant CMS risk variables. The sensitivity analyses include only outstanding swap derivatives as at 31st December, 2007 and adjust at the year end for a 5% change in foreign currency rates and expected volatility due to change in CMS by 5 basis point if applicable, holding other variables constant.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis for 2007 – FOREX and CMS derivatives *(Continued)*

The table shows the profit or (loss) impact of the swap derivatives to income statement due to change in RMB against US$ and CMS (for the Group and the Company). The numbers below indicate the increase (decrease) in profit where RMB is 5% higher/lower against the US$ and CMS is 5 basis point higher/lower in the relevant swap contracts, and all other variables were held constant:

	2007	
	CMS increase 5 basis point	**CMS decrease 5 basis point**
	US$'000	US$'000
RMB against US$ increase 5%	10,015	2,369
RMB against US$ decrease 5%	(4,056)	(11,676)

As at 31st December, 2007, the Company also had certain outstanding swap contracts with an aggregate notional amount of US$262,500,000 in relation to LIBOR and CMS and exposed the Group and the Company to price risk. The Group and the Company have no such exposure as at 31st December, 2008.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis for 2007 – LIBOR and CMS derivatives

The sensitivity analyses below have been determined based on the exposure to LIBOR and CMS for derivatives instruments held by the Group and the Company as at 31st December, 2007. A 50 basis point increase or decrease in LIBOR and the expected increase/decrease in volatility of CMS due to 5 basis point higher/lower in CMS were used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in LIBOR and the relevant risk variables.

The numbers below indicate the increase (decrease) in profit where LIBOR was 50 basis point higher/lower and CMS was 5 basis point higher/lower in the relevant swap contracts, and all other variables were held constant.

	2007	
	higher	**lower**
	US$'000	US$'000
Profit or loss		
– swap derivatives (for the Group and the Company)	1,097	(1,054)

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Credit risk

As at 31st December, 2008, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet and the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 44. 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 impairment losses are made for irrecoverable amounts. With respect to financial guarantees provided to subsidiaries and a jointly controlled entity by the Company, the directors consider the credit risk is limited because the subsidiaries and the jointly controlled entity have strong financial positions. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

With respect to amounts due from subsidiaries, amounts due from jointly controlled entities, amounts due from associates, amount due from a fellow subsidiary, the Directors consider the credit risk is limited because they have strong financial positions.

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.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Credit risk *(Continued)*

The Group has concentration of credit risk as 18.70% (2007: 19.17%) and 51.89% (2007: 53.49%) of the total trade receivable was due from the Group largest customer and the five largest customers, respectively, within the business segment. The Group has assessed the creditworthiness of these customers, all of these customers have strong financial backgrounds and high credit-rating within the industry. In this regard, the directors of the Company considered that the credit risk is low. The Group also has concentration of geographical risk as 59.47% (2007: 56.08%) of the Group's turnover was generated from the customers from United States of America and Europe.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants or to timely negotiate with the lenders if any non-compliance is expected.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

Group

2008

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2008 US$'000
Derivative financial liabilities								
Derivative financial instruments held for trading *(Note)*	–	–	1,500	4,500	7,000	–	13,000	13,000
Non-derivative financial liabilities								
Trade payables	–	63,250	23,420	–	–	–	86,670	86,670
Other payables	–	8,366	1,616	1,698	–	–	11,680	11,680
Bills payable	–	7,950	7,517	1,555	–	–	17,022	17,022
Amount due to ultimate holding company	–	447	–	–	–	–	447	447
Amounts due to associates	–	1,306	–	–	–	–	1,306	1,306
Amounts due to jointly controlled entities	–	2,867	–	–	–	–	2,867	2,867
Bank loans								
– interest bearing borrowings*	4.59%	345,353	–	1,885	27,600	–	374,838	372,009
Deferred payable	10%	–	–	242	968	11,595	12,805	1,810
		429,539	32,553	5,380	28,568	11,595	507,635	493,811

2007

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2007 US$'000
Non-derivative financial liabilities								
Trade payables	–	52,763	88,043	–	–	–	140,806	140,806
Other payables	–	5,274	286	7,884	–	–	13,444	13,444
Bills payable	–	20,227	56,564	7,066	–	–	83,857	83,857
Amount due to ultimate holding company	–	166	–	–	–	–	166	166
Amounts due to associates	–	2,223	–	–	–	–	2,223	2,223
Amounts due to jointly controlled entities	–	40	–	–	–	–	40	40
Bank loans								
– interest bearing borrowings*	5.71%	94,347	95,294	147,698	99,510	–	436,849	415,223
Deferred payable	10%	–	–	242	968	11,837	13,047	1,992
		175,040	240,187	162,890	100,478	11,837	690,432	657,751

Note: The undiscounted cash flow of derivative financial instruments was determined assuming all variables used in the fair value calculation as at 31st December, 2008 remained the same until maturity.

6 Financial Instruments *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

Company

2008

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2008 US$'000
Derivative financial liabilities								
Derivative financial instruments held for trading *(Note)*	–	–	1,500	4,500	7,000	–	13,000	13,000
Non-derivative financial liabilities								
Amount due to ultimate holding company	–	257	–	–	–	–	257	257
Amounts due to subsidiaries	–	75,908	–	–	–	–	75,908	75,908
Amounts due to associates	–	233	–	–	–	–	233	233
Amounts due to jointly controlled entities	–	2,778	–	–	–	–	2,778	2,778
Bank loans								
– interest bearing borrowings*	3.02%	173,553	–	–	–	–	173,553	173,338
Deferred payable	10%	–	–	242	968	11,595	12,805	1,810
		252,729	–	242	968	11,595	265,534	254,324

2007

	Weighted average effective interest rate %	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	5 years+ US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31/12/2007 US$'000
Non-derivative financial liabilities								
Bills payable	–	103	–	–	–	–	103	103
Amount due to ultimate holding company	–	166	–	–	–	–	166	166
Amounts due to subsidiaries	–	40,214	–	–	–	–	40,214	40,214
Amounts due to associates	–	316	–	–	–	–	316	316
Bank loans								
– interest bearing borrowings*	5.22%	62,634	–	15,783	98,441	–	176,858	165,000
Deferred payable	10%	–	–	242	968	11,837	13,047	1,992
		103,433	–	16,025	99,409	11,837	230,704	207,791

* *For the Group's interest bearing borrowings, the weighted average effective interest rate at the balance sheet date is used for undiscounted cash flows analysis.*

Note: The undiscounted cash flow of derivative financial instruments was determined assuming all variables used in the fair value calculation as at 31st December, 2008 remained the same until maturity.

6 Financial Instruments *(Continued)*

c. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input; and

– the fair value of derivative instruments is made of discounted cash flow analysis using the application yield curve and forward rate for the duration of the instruments for non-optional derivatives.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7 Revenue

Revenue represents sales of goods from manufacturing and services income from logistics services operations, less returns, discounts and sales related taxes, and is analysed as follows:

	2008	2007
	US$'000	US$'000
Manufacturing	**1,347,171**	1,511,902
Logistics services	**38,098**	34,140
	1,385,269	1,546,042

8 Business and Geographical Segments

Business segments

For management purpose, the Group is currently organised into two operating divisions – manufacturing and logistics services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Manufacturing	–	manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, other specialised containers, container parts and container chassis.
Logistics services	–	provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling, mid-stream services and other container related services.

8 Business and Geographical Segments *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below.

2008

	Manufacturing US$'000	Logistics services US$'000	Eliminations US$'000	Total US$'000
REVENUE				
External sales	1,347,171	38,098	–	1,385,269
Inter-segment sales	–	776	(776)	–
Total	1,347,171	38,874	(776)	1,385,269

Inter-segment sales are charged at prevailing market prices.

	Manufacturing US$'000	Logistics services US$'000	Eliminations US$'000	Total US$'000
SEGMENT RESULTS	62,597	10,272		72,869
Finance costs				(28,108)
Investment income				2,046
Changes in fair value of derivative financial instruments				(30,457)
Share of results of associates	516	776		1,292
Share of results of jointly controlled entities	257	275		532
Profit before taxation				18,174
Income tax expense				(6,900)
Profit for the year				11,274

8 Business and Geographical Segments *(Continued)*

Business segments *(Continued)*

2008 *(Continued)*

	Manufacturing US$'000	Logistics services US$'000	Total US$'000
BALANCE SHEET			
ASSETS			
Segment assets	637,100	66,461	703,561
Interests in associates	6,251	4,576	10,827
Interests in jointly controlled entities	10,852	15,609	26,461
Unallocated corporate assets			166,234
Consolidated total assets			907,083
LIABILITIES			
Segment liabilities	144,384	8,005	152,389
Unallocated corporate liabilities			389,970
Consolidated total liabilities			542,359
OTHER INFORMATION			
Additions of capital expenditure	15,552	6,981	22,533
Depreciation and amortisation	13,385	3,273	16,658
Gain (loss) on disposal of property, plant and equipment	231	(2)	229

8 Business and Geographical Segments *(Continued)*

Business segments *(Continued)*

2007

	Manufacturing US$'000	Logistics services US$'000	Eliminations US$'000	Total US$'000
REVENUE				
External sales	1,511,902	34,140	–	1,546,042
Inter-segment sales	–	1,132	(1,132)	–
Total	1,511,902	35,272	(1,132)	1,546,042

Inter-segment sales are charged at prevailing market prices.

	Manufacturing US$'000	Logistics services US$'000	Eliminations US$'000	Total US$'000
SEGMENT RESULTS	33,809	10,687		44,496
Finance costs				(29,432)
Investment income				1,885
Changes in fair value of derivative financial instruments				24,881
Share of results of associates	(2,246)	990		(1,256)
Share of results of jointly controlled entities	(102)	522		420
Profit before taxation				40,994
Income tax expense				(6,635)
Profit for the year				34,359

8 Business and Geographical Segments *(Continued)*

Business segments *(Continued)*

2007 *(Continued)*

	Manufacturing US$'000	Logistics services US$'000	Total US$'000
BALANCE SHEET			
ASSETS			
Segment assets	840,632	58,461	899,093
Interests in associates	5,734	3,698	9,432
Interests in jointly controlled entities	10,596	12,684	23,280
Unallocated corporate assets			159,832
Consolidated total assets			1,091,637
LIABILITIES			
Segment liabilities	297,846	12,781	310,627
Unallocated corporate liabilities			425,142
Consolidated total liabilities			735,769
OTHER INFORMATION			
Additions of capital expenditure	21,642	9,961	31,603
Depreciation and amortisation	13,009	3,352	16,361
Allowance for write down of inventories	1,185	–	1,185
Allowance for bad and doubtful debts	256	–	256
Gain on disposal of property, plant and equipment	78	36	114
Gain on disposal of land use rights	–	46	46

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 manufacturing division is located in the PRC and Indonesia. Logistics services division is located in the Hong Kong, the PRC and Thailand.

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

	Revenue	
	2008	2007
	US$'000	US$'000
United States of America	**429,317**	481,777
Europe	**394,497**	385,167
Hong Kong	**239,210**	265,900
PRC	**83,941**	83,067
South Korea	**69,602**	89,868
Taiwan	**48,112**	103,286
Others	**120,590**	136,977
	1,385,269	1,546,042

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	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
PRC	**662,197**	837,373	**22,288**	30,433
Hong Kong	**36,240**	50,320	**245**	1,122
Others	**5,124**	11,400	**–**	48
	703,561	899,093	**22,533**	31,603

9 Other Income

In 2007, other income included US$1,219,000 being gain on partial disposal of a subsidiary recognised for the year ended 31st December, 2007.

10 Finance Costs

	2008	2007
	US$'000	US$'000
Interest on bank loans and overdrafts wholly repayable within five years	**24,554**	28,236
Imputed interest on deferred payable	**60**	42
Bank charges	**3,494**	1,154
	28,108	29,432

11 Investment Income

	2008	2007
	US$'000	US$'000
Interest earned on bank deposits	**1,795**	1,733
Dividend income from unlisted equity investment	**251**	152
	2,046	1,885

12 Profit before Taxation

	2008 US$'000	2007 US$'000
Profit before taxation has been arrived at after charging (crediting) the following:		
Auditor's remuneration	**565**	533
Staff costs, including directors' emoluments		
– Salaries and other benefits	**70,373**	73,315
– Retirement benefit costs *(note 14)*	**4,003**	2,863
– Share-based payments	**2,503**	1,877
	76,879	78,055
Depreciation and amortisation		
Depreciation of property, plant and equipment	**14,660**	14,396
Amortisation		
– Patents	**490**	364
– Others assets	**84**	405
– Prepaid lease payments in respect of leasehold land	**1,424**	1,196
	16,658	16,361
Operating lease charges		
– Land and buildings	**5,013**	3,970
– Plant and machinery	**191**	171
	5,204	4,141
Impairment loss on goodwill included in other expenses	**–**	318
Allowance for bad and doubtful debts	**–**	256
Amounts of doubtful debts recovered	**(38)**	(29)
Share of taxation of associates	**182**	219
Share of taxation of jointly controlled entities	**(360)**	(176)
	(178)	43
Cost of inventories recognised as expense (no allowance for write-down of inventories in 2008 (2007: US$1,185,000))	**1,266,597**	1,426,798
Gain on partial disposal of a subsidiary	**–**	(1,219)
Gain on disposal of property, plant and equipment	**(229)**	(114)
Gain on disposal of land use rights	**–**	(46)

13 Directors' and Five Highest Paid Individuals' Emoluments

The emoluments paid or payable to each of the 10 (2007: 9) directors were as follows:

2008

	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$'000	Yang, Victor US$'000	Total US$'000
Fees	39	26	23	23	23	28	25	28	11	17	243
Other emoluments:											
Salaries and other benefits	–	319	212	119	41	–	51	–	–	–	742
Contributions to retirement benefit scheme	–	16	–	–	2	–	3	–	–	–	21
Performance related incentive payments	–	–	–	–	–	–	–	–	–	–	–
Share-based payments	84	843	210	169	42	42	42	42	26	–	1,500
	123	1,204	445	311	108	70	121	70	37	17	2,506

2007

	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$'000	Yang , Victor US$'000	Total US$'000
Fees	38	26	23	23	23	28	26	28	26	–	241
Other emoluments:											
Salaries and other benefits	–	308	203	114	39	–	–	–	–	–	664
Contributions to retirement benefit scheme	–	15	–	–	2	–	–	–	–	–	17
Performance related incentive payments *(note)*	–	–	17	10	–	–	–	–	–	–	27
Share-based payments	63	629	157	126	31	31	31	31	31	–	1,130
	101	978	400	273	95	59	57	59	57	–	2,079

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

13 Directors' and Five Highest Paid Individuals' Emoluments *(Continued)*

The above analysis includes 3 (2007: 3) individuals whose emoluments were among the five highest in the Group. Details of the aggregate emoluments paid to the remaining 2 (2007: 2) 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:–

	2008 **US$'000**	2007 US$'000
Salaries and other benefits	**327**	337
Retirement benefit costs	**16**	16
Share-based payments	**262**	187
	605	540

Their emoluments were within the following band:

	2008 **Number of individuals**	2007 Number of individuals
US$256,845 – US$321,056 (HK$2,000,001 – HK$2,500,000)	**2**	2

No waiver of emoluments, compensation loss and inducement to join or upon joining the Group was paid during the year.

14 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 scheme 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 scheme 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.

14 Retirement Benefit Costs *(Continued)*

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 the subsidiary.

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$4,003,000 (2007: US$2,863,000).

No forfeited contributions of the Group's defined contribution retirement schemes was 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.

15 Income Tax Expense

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) 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 PRC and Indonesia in which the Group operates.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations provide a five-years transitional period from its effective date for those enterprise which were established before the promulgation date of the New Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. Based on New Law, certain subsidiaries of the Company that were entitled to preferential treatment in the form of enterprise income tax reduction or exemption, but has not been profitable and, therefore, has not enjoyed such preferential treatment before 1st January, 2008, would deem to have begun its tax holiday in 2008 when the New Law comes into effect.

	2008 **US$'000**	2007 US$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**378**	6,493
– Prior year overprovision	**(222)**	–
	156	6,493
Overseas taxation		
– Current year	**2,967**	3,878
– Prior year overprovision	**(1,346)**	(18)
	1,621	3,860
Deferred tax: *(note 42)*		
Current year charge (credit)	**5,123**	(1,860)
Attributable to a change in tax rate	**–**	(1,858)
Income tax expense for the year	**6,900**	6,635

15 Income Tax Expense *(Continued)*

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

	2008		2007	
	US$'000	**%**	US$'000	%
Profit before taxation	**18,174**		40,994	
Tax at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**2,999**	**16.50**	7,174	17.50
Tax effect of share of results of associates	**(213)**	**(1.17)**	220	0.54
Tax effect of share of results of jointly controlled entities	**(88)**	**(0.48)**	(74)	(0.18)
Tax effect of expenses that are not deductible in determining taxable profit	**1,547**	**8.51**	2,273	5.54
Tax effect of income that are not taxable in determining taxable profit	**(3,245)**	**(17.86)**	(2,453)	(5.98)
Tax effect on tax losses arising in the current year not recognised	**5,124**	**28.19**	1,402	3.42
Tax effect of utilisation of tax losses previously not recognised	**(827)**	**(4.55)**	(809)	(1.97)
Overprovision in previous years	**(1,568)**	**(8.63)**	(18)	(0.04)
Tax effect on changes in tax rate	**–**	**–**	(947)	(2.31)
Increase in opening deferred tax assets resulting from increase in applicable tax rate	**–**	**–**	(1,858)	(4.53)
Effect of different tax rates of subsidiaries, operating in other jurisdictions	**1,973**	**10.86**	1,314	3.21
Withholding tax on distributable earnings	**601**	**3.31**	–	–
Others	**597**	**3.28**	411	1.00
Tax charge and effective rate for the year	**6,900**	**37.96**	6,635	16.20

16 Dividends

	2008 US$'000	2007 US$'000
Dividends recognised as distributions during the year:		
Interim in respect of current financial year, paid – HK4 cents (2007: HK6 cents) per ordinary share	3,619	5,408
Final in respect of the previous financial year, paid – HK5 cents (2007: HK3 cents) per ordinary share	4,503	2,350
	8,122	7,758

The directors of the Company do not recommend the payment of final dividend for the year ended 31st December, 2008. The final dividend of HK5 cents per ordinary share, total of which equivalent to US$4,503,000 was paid for the year ended 31st December, 2007.

17 Earnings per Share

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

	2008 US$'000	2007 US$'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	4,515	33,994
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	702,912,760	632,579,828

The computation of diluted earnings per share for 2008 and 2007 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period from beginning of the year or date of grant, whichever is later to 31st December, 2008 and 2007.

18 Property, Plant and Equipment

	Freehold land US$'000	Leasehold land and buildings and site improvements US$'000	Plant and machinery US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
Group							
Cost							
At 1st January, 2007	3,283	92,430	112,329	6,318	7,268	16,984	238,612
Translation differences	–	980	737	84	43	339	2,183
Additions	–	420	1,307	988	462	19,636	22,813
Disposals	–	(300)	(485)	(37)	(190)	–	(1,012)
Transfer	–	14,170	13,205	–	–	(27,375)	–
At 31st December, 2007	3,283	107,700	127,093	7,353	7,583	9,584	262,596
Translation differences	–	1,385	836	103	45	164	2,533
Additions	–	699	2,481	495	617	18,241	22,533
Disposals	–	–	(2,409)	(186)	(414)	–	(3,009)
Transfer	–	4,864	9,146	258	538	(14,806)	–
At 31st December, 2008	3,283	114,648	137,147	8,023	8,369	13,183	284,653
Accumulated depreciation							
At 1st January, 2007	–	15,736	45,561	4,418	3,582	–	69,297
Translation differences	–	191	323	53	22	–	589
Charge for the year	–	4,133	8,779	693	791	–	14,396
Eliminated on disposals	–	(78)	(383)	(29)	(118)	–	(608)
At 31st December, 2007	–	19,982	54,280	5,135	4,277	–	83,674
Translation differences	–	317	424	76	28	–	845
Charge for the year	–	5,036	7,918	841	865	–	14,660
Eliminated on disposals	–	–	(2,145)	(170)	(314)	–	(2,629)
At 31st December, 2008	–	25,335	60,477	5,882	4,856	–	96,550
Carrying values							
At 31st December, 2008	**3,283**	**89,313**	**76,670**	**2,141**	**3,513**	**13,183**	**188,103**
At 31st December, 2007	3,283	87,718	72,813	2,218	3,306	9,584	178,922

18 Property, Plant and Equipment *(Continued)*

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

	Freehold land US$'000	Leasehold land and buildings US$'000	Site improvements US$'000	Total US$'000
Group				
At 31st December, 2008				
Held in Hong Kong				
On short lease				
(less than 10 years)	–	–	67	67
Held outside Hong Kong				
On medium term lease				
(20 to 50 years)	–	5,161	84,085	89,246
Freehold land	3,283	–	–	3,283
	3,283	**5,161**	**84,152**	**92,596**
At 31st December, 2007				
Held in Hong Kong				
On short lease				
(less than 10 years)	–	–	88	88
Held outside Hong Kong				
On medium term lease				
(20 to 50 years)	–	5,454	82,176	87,630
Freehold land	3,283	–	–	3,283
	3,283	5,454	82,264	91,001

18 Property, Plant and Equipment *(Continued)*

	Leasehold land and buildings US$'000	Furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Company				
Cost				
At 1st January, 2007	4,287	1,573	246	6,106
Additions	–	24	–	24
Disposals	–	(8)	–	(8)
At 31st December, 2007	4,287	1,589	246	6,122
Additions	–	118	–	118
Disposals	–	(9)	–	(9)
At 31st December, 2008	4,287	1,698	246	6,231
Accumulated depreciation				
At 1st January, 2007	169	1,152	197	1,518
Charge for the year	113	213	37	363
Eliminated on disposals	–	(7)	–	(7)
At 31st December, 2007	282	1,358	234	1,874
Charge for the year	113	125	12	250
Eliminated on disposals	–	(9)	–	(9)
At 31st December, 2008	395	1,474	246	2,115
Carrying values				
At 31st December, 2008	**3,892**	**224**	**–**	**4,116**
At 31st December, 2007	4,005	231	12	4,248

	2008 US$'000	2007 US$'000
Company		
Leasehold land and buildings held outside Hong Kong on medium term lease (20 to 50 years)	**3,892**	4,005

The land and building elements of a lease of land and building cannot be allocated reliably between the land and building elements, the entire lease is treated as property, plant and equipment.

19 Patents

Group

	US$'000
Cost	
At 1st January, 2007	3,533
Addition	1,050
At 31st December, 2007 and 31st December, 2008	4,583
Amortisation	
At 1st January, 2007	2,413
Charge for the year	364
At 31st December, 2007	2,777
Charge for the year	490
At 31st December, 2008	3,267
Carrying values	
At 31st December, 2008	**1,316**
At 31st December, 2007	1,806

19 Patents *(Continued)*

Company

	US$'000
Cost	
At 1st January, 2007	–
Addition	1,000
At 31st December, 2007 and 31st December, 2008	1,000
Amortisation	
At 1st January, 2007	–
Charge for the year	83
At 31st December, 2007	83
Charge for the year	200
At 31st December, 2008	283
Carrying values	
At 31st December, 2008	**717**
At 31st December, 2007	917

20 Goodwill

Group

	US$'000
Cost	
At 1st January, 2007, 31st December, 2007 and 31st December, 2008	6,478
Impairment	
At 1st January, 2007	880
Impairment loss recognised	318
At 31st December, 2007 and 31st December, 2008	1,198
Carrying values	
At 31st December, 2008	**5,280**
At 31st December, 2007	5,280

As explained in note 3, the Group uses business segment as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill have been allocated to an individual cash generating unit ("CGU"), including two subsidiaries in manufacturing of container.

In 2007, the Group recognised an impairment loss of US$318,000 in relation to goodwill on the acquisition of Qingdao Singamas Industrial Vehicle Co., Ltd due to the decrease in expected future cash inflow from the manufacturing of container chassis business.

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

The recoverable amounts of CGU is 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 CGU. 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.

20 Goodwill *(Continued)*

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% (2007: 2%). The rate used to discount the forecast cash flows is 11.3% (2007: 10%). The Directors consider that reasonably possible change in key assumptions on which the directors have based to determine the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

21 Investments in Subsidiaries

	Company	
	2008	2007
	US$'000	US$'000
Unlisted shares and investments, at cost	**191,294**	169,791

Particulars of principal subsidiaries as at 31st December, 2008 and 2007 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

21 Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Foshan Shunde Leliu Wharf & Container Co., Ltd. #	PRC	59%	US$21,000,000	Provision of container terminal services
Guangdong Shun An Da Pacific Container Co., Ltd. *	British Virgin Islands	100%	US$1,000	Marketing dry freight and specialised containers in the PRC
Guangdong Shun An Da Pacific Container Co., Ltd. * △	PRC	100%	US$27,900,000	Manufacturing of dry freight and specialised containers
Hui Zhou Pacific Container Co., Ltd. *#	PRC	71%	US$40,000,000	Manufacturing of dry freight containers
Ningbo Pacific Container Co., Ltd. *#	PRC	80%	US$20,000,000	Manufacturing of dry freight and specialised containers
P.T. Java Pacific	Indonesia	72%	US$10,000,000	Manufacturing of dry freight containers
Qingdao Pacific Container Co., Ltd. *# (“Qingdao Pacific”)	PRC	97.22% *(note 1)*	US$21,605,700	Manufacturing of dry freight and specialised containers

21 Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Qingdao Singamas Industrial Vehicle Co., Ltd. *# ("Qingdao Singamas")	PRC	49.5%	RMB20,000,000	Manufacturing of container chassis
Shanghai Baoshan Pacific Container Co., Ltd. #	PRC	74%	US$25,300,000	Manufacturing of dry freight and specialised containers
Shanghai Pacific International Container Co., Ltd. *#	PRC	60%	US$18,000,000	Manufacturing of dry freight containers
Shanghai Reeferco Container Co., Ltd. *#	PRC	90.91% *(note 2)*	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

21 Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Singamas Container Technical & Development (Shanghai) Co. Ltd * △	PRC	100%	US$2,000,000	Provision of technical and development services of container manufacturing
Singamas Depot Holdings Ltd. *	Hong Kong	100%	Ordinary HK$10,000	Investment holding
Singamas Logistics (Qingdao) Co., Ltd. #	PRC	60%	US$2,000,000	Provision of container storage and repair services
Singamas Logistics (Tianjin) Co., Ltd. * △	PRC	100%	US$6,500,000	Provision of container storage and repair services
Singamas Refrigerated Container Ltd. *	British Virgin Islands	100%	Ordinary US$100,000	Investment holding
		100%	Redeemable preferred US$19,400,000	

21 Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration	Group equity interest	Issued and fully paid share/ contributed capital	Principal activities
Singamas Terminals (China) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding and marketing of container depot services in the PRC
Singamas Terminals Holdings Ltd. *	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (HK) Ltd.	British Virgin Islands	100%	US$1,000	Investment holding
Singamas Terminals (Hong Kong) Ltd.	Hong Kong	100%	Ordinary HK$5,000,000	Provision of mid-stream services
Singamas Warehouse (Shanghai) 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

21 Investments 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.*

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 of the Company, principally affected the results and assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year.

Note:

1. *In 2007, the Company made further capital contribution to Qingdao Pacific by re-investing entitled dividend.*

2. *In 2007, the Company acquired an additional 2.27% equity interest in Shanghai Reeferco Container Co., Ltd ("Shanghai Reeferco"), an indirectly held subsidiary of the Company. In 2008, Singamas Refrigerated Container Ltd, holding 88.64% equity interest of Shanghai Reeferco, transferred all the equity interest in Shanghai Reeferco to the Company. Upon completion of the transfer, the Company's direct interest in Shanghai Reeferco has increased to 90.91%.*

22 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 US$178,297,000 (2007: US$197,289,000) which bears variable interest at a spread of no more than 0.25% per annum over the cost of bank borrowings of the Company. The Directors expected the amounts due from/to subsidiaries to be recovered/repaid within twelve months after the balance sheet date.

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

23 Interests/Investments in Associates

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares and investments:				
At cost	**10,909**	10,909	**6,622**	8,757
Share of post-acquisition reserves, net of dividend received	**(82)**	(1,477)	**–**	–
	10,827	9,432	**6,622**	8,757
Classified as assets held for sales	**(5,865)**	–	**(5,865)**	–
	4,962	9,432	**757**	8,757

On 15th December, 2008, the Company entered into five share transfer agreements ("Share Transfer Agreements") with Shanghai Universal Logistics Equipment Co., Ltd. ("Shanghai Universal") to conditionally dispose of its entire 20% equity interest in Dong Fang International Container (Guang Zhou) Co., Ltd. ("Dong Fang (Guang Zhou)") and Dong Fang International Container (Jin Zhou) Co., Ltd. ("Dong Fang (Jin Zhou)"), respectively, to Shanghai Universal with cash consideration of approximately US$8,939,000. Shanghai Universal is the substantial shareholders of Dong Fang (Guang Zhou) and Dong Fang (Jin Zhou). Interests in Dong Fang (Guang Zhou) and Dong Fang (Jin Zhou), the associates of the Company, are expected to be sold within twelve months, have been classified as assets held for sale and accounted in accordance with the accounting policy as disclosed in Note 3(e).

23 Interests/Investments in Associates *(Continued)*

Particulars of associates as at 31st December, 2008 and 2007 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 (Guang Zhou) Co., Ltd. * #	Incorporated	PRC	20% ^ @	20%	Manufacturing of dry freight containers
Dong Fang International Container (Jin Zhou) Co., Ltd. * #	Incorporated	PRC	20% ^ @	16.7% *(note 1)*	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.*

^ *Represented issued and fully paid registered capital*

@ *Classified as assets held for sale as at 31st December, 2008*

Note:

1. *The Company has representative sitting on the board of directors of Dong Fang (Jin Zhou) and the Company has provided essential technical information to Dong Fang (Jin Zhou). As the Company has significant influence over Dong Fang (Jin Zhou), interest in Dong Fang (Jin Zhou) was classified as interests in associates.*

23 Interests/Investments in Associates *(Continued)*

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

	2008 US$'000	2007 US$'000
Total assets	**152,175**	268,453
Total liabilities	**(107,377)**	(228,690)
Net assets	**44,798**	39,763
Group's share of associates' net assets	**10,827**	9,432
Classified as assets held for sales	**(5,865)**	–
	4,962	9,432

	2008 US$'000	2007 US$'000
Revenue	**248,720**	255,861
Profit (Loss) for the year	**4,853**	(8,292)
Group's share of associates' profit (loss) for the year	**1,292**	(1,256)

24 Interests/Investments in Jointly Controlled Entities

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Unlisted shares and investments:				
At cost	**23,928**	21,752	**10,265**	10,265
Share of post-acquisition reserves, net of dividend received	**2,533**	1,528	**–**	–
	26,461	23,280	**10,265**	10,265

24 Interests/Investments in Jointly Controlled Entities *(Continued)*

Particulars of jointly controlled entities which are established in the PRC, except for Singamas North America, Inc., which is incorporated in the United States of America ("USA"), as at 31st December, 2008 are set out below:–

Name	The Group's equity interest 2008	The Group's equity interest 2007	Proportion of voting power 2008	Proportion of voting power 2007	Principal activities
Dalian Singamas International Container Co., Ltd. #	**35.76%** ***(note 1)***	30%	**33.3%**	33.3%	Provision of container storage and repair services
Fuzhou Singamas Container Co., Ltd. #	**40%**	40%	**40%**	40%	Provision of container storage and repair services
Guangzhou Singamas Timber Co., Ltd #	**52%** ***(note 2)***	52%	**60%** ***(note 2)***	60%	Manufacturing of container floorboard
Shanghai Jifa Logistics Co., Ltd. #	**25%**	25%	**22.2%**	22.2%	Provision of container storage, repair and logistics services
Singamas North America, Inc. @	**50%**	50%	**50%**	50%	Marketing containers in the USA
Xiamen Pacific Container Manufacturing Co., Ltd. * #	**44.14%**	44.14%	**42.9%**	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.*

@ *Represented common shares held directly by the Company*

24 Interests/Investments in Jointly Controlled Entities *(Continued)*

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.

Note:

1. *During the year, the Group made further capital contribution to Dalian Singamas International Container Co., Ltd. ("Dalian Singamas"). Since the amount of capital contribution made by each investor was not in proportion to their equity interests in Dalian Singamas, the Group's equity interest in Dalian Singamas has increased to 35.76% upon completion of this capital contribution.*

2. *In 2007, the Company formed Guangzhou Singamas Timber Co., Ltd. ("Singamas Timber") with an independent third party to manufacture container floorboard. According to the Article of Association of Singamas Timber, 66.67% voting power is required to govern the significant financial and operating policies of Singamas Timber. Since the Company and the joint venture partner have contractual arrangements to jointly control the significant financial and operating policies of Singamas Timber, Singamas Timber is regarded as a jointly controlled entity of the Company.*

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:–

	2008 **US$'000**	2007 US$'000
Current assets	**42,484**	36,356
Non-current assets	**17,680**	16,210
Current liabilities	**29,400**	25,917
Non-current liabilities	**4,303**	3,369
Income	**81,095**	67,077
Expenses	**80,563**	66,657

25 Amount due to Ultimate Holding Company, Amounts due from/to Associates and Jointly Controlled Entities and Amounts due from Fellow Subsidiaries

The amounts are unsecured, interest free and repayable on demand. The Directors expected the amounts will be recovered/repaid within twelve months after the balance sheet date.

26 Available-for-sale Investments

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Unlisted securities				
– Equity securities, at cost	**3,174**	3,174	**2,229**	2,229
Classified as assets held for sale	**(1,560)**	–	**(1,560)**	–
	1,614	3,174	**669**	2,229

On 15th December, 2008, the Company entered into Share Transfer Agreements with Shanghai Universal under which the Company conditionally agreed to dispose its entire 10% equity interest in Lianyungang Universal Special Purpose Vehicle Manufacturing Co., Ltd. ("Lianyungang") to Shanghai Universal with cash consideration of approximately US$1,734,000. Shanghai Universal is the substantial shareholders of Lianyungang. Investment in Lianyungang, which included in available-for-sale investment, is expected to be sold within twelve months, has been classified as assets held for sale.

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

The unquoted equity investments included 14.02% (2007: 14.02%) equity interest of Xiamen Superchain Logistics Development Co., Ltd., a logistic company in PRC; and 10% (2007: 10%) equity interest of Lianyungang, a company involved in manufacturing of container chassis.

27 Prepaid Lease Payments

	Group 2008 US$'000	2007 US$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	**62,247**	62,209
	62,247	62,209
Analysed for reporting purpose as:		
Amount shown under non-current assets	**60,827**	60,829
Amount shown under current assets	**1,420**	1,380
	62,247	62,209

28 Other Assets

	Group 2008 US$'000	2007 US$'000
At 1st January	**84**	489
Amount amortised	**(84)**	(405)
At 31st December	**–**	84

29 Inventories

	Group 2008 US$'000	2007 US$'000
Raw materials	**213,216**	166,063
Work in progress	**10,930**	17,546
Finished goods	**76,295**	114,641
	300,441	298,250

The entire carrying amounts of inventories as at 31st December, 2008 and 2007 are expected to be recovered within the next twelve months.

30 Trade Receivables

	Group	
	2008	2007
	US$'000	US$'000
Trade receivables	**94,717**	153,992
Less: allowance for doubtful debts	**(11)**	(289)
Total trade receivables	**94,706**	153,703

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 net of allowance for doubtful debts, which is prepared based on invoice date of each transaction, at 31st December is as follows:

	2008	2007
	US$'000	US$'000
0 to 30 days	**45,750**	84,555
31 to 60 days	**21,516**	36,799
61 to 90 days	**10,970**	19,741
91 to 120 days	**10,566**	8,553
Over 120 days	**5,904**	4,055
	94,706	153,703

The Group assessed the credit quality of trade receivables based on historical default rates and the creditworthiness of the customers.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$33,497,000 (2007: US$20,993,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The Group has assessed the creditworthiness and historical default rates of these customers, trade receivables that are past due but not impaired have very low historical default rates and have high credit-rating within the industry. In this regard, the Directors considered that the default risk is low. Accordingly, no impairment has been provided. An aggregate amount of US$26,470,000 was subsequently settled.

30 Trade Receivables *(Continued)*

The aged analysis, based on invoice date of each transaction, of trade receivables which are past due but not impaired is as follows:

	2008 **US$'000**	2007 US$'000
31 to 60 days	**9,280**	5,835
61 to 90 days	**8,233**	5,495
91 to 120 days	**10,080**	5,608
over 120 days	**5,904**	4,055
	33,497	20,993

Movement in the allowance for doubtful debts:

	2008 **US$'000**	2007 US$'000
Balance at beginning of the year	**289**	62
Impairment losses recognised on receivables	**–**	256
Amounts written off as uncollectible	**(240)**	–
Amounts recovered during the year	**(38)**	(29)
Balance at end of the year	**11**	289

31 Prepayments and Other Receivables

As at 31st December, 2008, the Group advanced US$9,790,907 (2007: US$112,284,000) to certain suppliers as deposits for raw materials purchases, the entire amount is expected to be recovered within the next twelve months.

32 Amount due from a Related Company

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

	Group		
Name	**Balance as at 31.12.2008 US$'000**	Balance as at 1.1.2008 US$'000	Maximum amount outstanding during the year US$'000
Pacific International Lines (H.K.) Limited	**1,414**	1,366	2,180

The aged analysis of amount due from a related company, which is prepared based on invoice date of each transaction, at 31st December is as follows:

	Group	
	2008 US$'000	2007 US$'000
0 to 30 days	**530**	688
31 to 60 days	**378**	254
61 to 90 days	**251**	181
over 90 days	**255**	243
	1,414	1,366

The aged analysis, based on invoice date of each transaction, of amount due from a related company which is past due but not impaired is as follows:

	Group	
	2008 US$'000	2007 US$'000
31 to 60 days	**378**	254
61 to 90 days	**251**	181
over 90 days	**256**	243
	885	678

Amount due from a related company represents trade receivable balances due from Pacific International Lines (H.K.) Limited ("PILHK"), a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, Directors, have beneficial interests. The balance is subject to normal credit terms of 30 days. An aggregate amount of US$1,340,000 was subsequently settled.

33 Derivative Financial Instruments (Liabilities) Assets

	Group and Company	
	2008	2007
	US$'000	US$'000
Swap derivative financial instruments	**(13,000)**	27,160

The amount represents the fair value of outstanding swap derivative financial instrument entered into by the Group with financial institution.

As at 31st December, 2008, the Company has an outstanding derivative contract with notional amount of US$13.5 million (2007: US$421.5 million). The fair value of the swap contracts as at 31st December, 2008 was estimated at a liability of US$13,000,000 (2007: assets of US$27,160,000).

The fair values of swap contracts are determined by the management using a valuation technique to calculate the present value of estimated future cash flows, taking into account the applicable yield curves derived from quoted interest rates and their expected volatility; the spot and forward exchange rates; and with reference to valuation provided by the derivative financial instrument counterparty. The fair value amount of last year was determined based on valuation carried out by the independent third party.

Major terms of the swap contract are set out below:

2008

Remaining notional amount	Notional amount per quarter	Starting	Maturity
US$13,500,000	US$1,500,000	14/3/2008	14/3/2011

33 Derivative Financial Instruments (Liabilities) Assets *(Continued)*

The payments under this swap derivative is subject to quarterly net settlement in US$ up to the stipulated maturity date. The notional amount is reduced by US$1,500,000 at each quarterly settlement date until maturity. At each settlement date, the net settlement amount between the Group and the counterparty is determined on the following basis:

Receives leg

At each quarterly settlement date, the Group would receive the notional amount per quarter multiplied by a specified ratio which is determined based on a fixed exchange rate divided by spot exchange rate in relation to RMB against US$. If the variables moves favorable to the Group (i.e. fixed exchange rate above spot exchange rate), the Group would receive more than the notional amount from the counterparty. If the variables moves unfavorable to the Group (i.e. fixed exchange rate below spot exchange rate), the Group would receive less than the notional amount from the counterparty.

Pays leg

At each quarterly settlement date, the Group would pay notional amount per quarter multiplied by a specified factor which is determined based on the number of days when the 30-year US$ CMS rate's volatility is outside a specified range in the quarter. If the variables moves favorable to the Group (i.e. 30-year US$ CMS rate fall within the specified range during most of the days in that quarter), the Group would pay the notional amount per quarter multiplied by a factor (between one and two) to the counterparty. If the variables moves unfavorable to the Group (i.e. 30-year US$ CMS rate fall out of the specified range during most of the days in that quarter), the Group would pay up to two times of the notional amount per quarter to the counterparty.

33 Derivative Financial Instruments (Liabilities) Assets *(Continued)*

2007

Remaining Notional amount		Starting	Maturity
LIBOR and CMS derivatives			
(i)	US$50,000,000	03/07/2006	03/07/2011
(ii)	US$62,500,000	20/11/2006	20/05/2010
(iii)	US$30,000,000	02/07/2007	02/07/2012
(iv)	US$60,000,000	21/09/2007	21/09/2012
(v)	US$60,000,000	18/10/2007	18/10/2012
	US$262,500,000		
FOREX and CMS derivatives			
(vi)	US$35,000,000	17/08/2006	17/08/2009
(vii)	US$40,500,000	16/03/2007	16/03/2010
(viii)	US$45,000,000	02/04/2007	02/04/2010
(ix)	US$38,500,000	03/07/2007	03/07/2010
	US$159,000,000		
	US$421,500,000		

33 Derivative Financial Instruments (Liabilities) Assets *(Continued)*

Under the terms of the derivatives referred to in (i) to (v) above, the Company has contracted to pay notional amount multiplied by LIBOR (or LIBOR minus certain agreed basis points in some of the cases) and the counterparties have contracted to pay notional amount multiplied by LIBOR (or LIBOR plus certain agreed basis points, in some of the cases) and a specified factor which is determined based on the actual volatility of CMS, or LIBOR, during each payment period. The payments under these swap derivatives are subject to quarterly or semi-annually net settlement up to the stipulated maturity dates.

Under the terms of the derivatives referred to in (vi) to (ix) above, the Company has contracted to pay notional amount multiplied by a specified factor which is determined based on the actual volatility of CMS during the payment period and the counterparties have contracted to pay notional amount multiplied a specified ratio which is determined based on a fixed exchange rate divided by spot exchange rate in relation to RMB against US$. The payments under these swap derivatives are subject to quarterly net settlement up to the stipulated maturity dates.

During the year, the Company disposed of a majority of its swap derivative financial instruments with an aggregate notional amount of US$371.5 million to Strategic Times Limited ("STL"), a wholly owned subsidiary of PIL, a substantial shareholder of the Company, also the ultimate holding company of the Company, at a total consideration of net payment of US$120,000. The consideration as agreed by both parties is an approximate fair value by reference to the estimated unwinding value provided by the swap derivative financial instruments counterparty as at the date of disposal.

34 Bank Balances

Bank balances carry interest at market rates of the Group and the Company which range from 0.05% to 3.33% (2007: 0.75% to 3%) and 0.05% to 0.7% (2007: 0.75% to 2.75%) respectively.

35 Trade Payables

The aged analysis of trade payables at 31st December, 2008 is as follows:

	Group	
	2008	2007
	US$'000	US$'000
0 to 30 days	**13,566**	61,002
31 to 60 days	**9,854**	27,042
61 to 90 days	**10,365**	19,499
91 to 120 days	**18,343**	15,850
Over 120 days	**34,542**	17,413
	86,670	140,806

The average credit period on purchases of goods is 53 days. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

36 Bills Payable

The aged analysis of bills payable at 31st December, 2008 is as follows:

	Group	
	2008	2007
	US$'000	US$'000
0 to 30 days	**6,746**	33,092
31 to 60 days	**1,732**	26,456
61 to 90 days	**7,992**	18,046
91 to 120 days	**552**	5,839
Over 120 days	**–**	424
	17,022	83,857

37 Deferred Payable

In 2006, the joint venture partner of Qingdao Pacific and Qingdao Singamas agreed to receive a fixed sum of guarantee payments annually in lieu of sharing any profit and loss nor the residual interests in the assets of Qingdao Pacific and Qingdao Singamas thereafter. All future guarantee payments are discounted at the prevailing market interest rate on the date of acquisition and accounted for as deferred payable.

	Group and Company
	US$'000
At 1st January, 2007	2,192
Imputed interest on deferred payable	42
	2,234
Payment for the year	(242)
At 31st December, 2007	1,992
Imputed interest on deferred payable	60
	2,052
Payment for the year	(242)
At 31st December, 2008	1,810
Analysed for reporting purpose as:	
For 2008:	
Amount shown under non-current liabilities	1,645
Amount shown under current liabilities	165
	1,810
For 2007:	
Amount shown under non-current liabilities	1,810
Amount shown under current liabilities	182
	1,992

38 Share Capital

	Number of shares 2008	2007	2008 US$'000	2008 HK$'000	2007 US$'000	2007 HK$'000
Ordinary shares of HK$0.10 each						
Authorised:						
At beginning of the year	**1,000,000,000**	750,000,000	**12,843**	**100,000**	9,637	75,000
Increase on 1st June, 2007	**–**	250,000,000	**–**	**–**	3,206	25,000
At end of year	**1,000,000,000**	1,000,000,000	**12,843**	**100,000**	12,843	100,000
Issued and fully paid:						
At beginning of the year	**702,912,760**	611,228,760	**9,025**	**70,291**	7,844	61,123
Issue of shares by private placement	**–**	91,684,000	**–**	**–**	1,181	9,168
At end of year	**702,912,760**	702,912,760	**9,025**	**70,291**	9,025	70,291

Notes:

(1) On 1st June, 2007, an ordinary resolution of the Company was passed to increase the authorised share capital of the Company from HK$75,000,000 to HK$100,000,000 by the creation of 250,000,000 new ordinary shares of HK$0.10 each. Such new shares rank pari passu in all respects with the existing shares of the Company.

(2) On 8th October, 2007, 91,684,000 ordinary shares were issued at HK$4.24 per share in relation to a share placement. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 1st June, 2007 and rank pari passu with other shares in issue in all respects. The net proceeds from the placement were largely intended to use for (a) the relocation and expansion of a dry freight container factory located in Xiamen; and (b) the relocation and upgrade of a dry freight container factory located in Shanghai into producing tank containers at the factory's new location.

(3) On 3rd March, 2009, the Company announced that, among other things, the Company proposed to raise approximately HK$492.0 million (equivalent to approximately US$63.1 million) in gross proceeds by issuing not less than 1,405,825,520 rights shares at the subscription price of HK$0.35 per rights share on the basis of two rights shares for every one existing share of the Company in issue (the "Rights Issue"). Upon completion of the Rights Issue, the number of ordinary shares in issue will increase to not less than 2,108,738,280 shares.

39 Share-based Payments

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 1st June, 2007 for the primary purpose of providing incentives to Directors and eligible employees of the Group, and may be terminated by resolution in general meeting. Under the Scheme, the Directors may grant options to qualifying grantees, including employees or directors of the Company and/or the Group.

At 31st December, 2008 the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,560,000 (2007: 20,000,000), representing approximately 3.92% (2007: 2.85%) of the shares of the Company in issue on that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at 1st June, 2007, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at 1st June, 2007 without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer. An aggregate of HK$1 is payable by each qualifying grantee on acceptance of the offer. Options may be exercised within the options period (must not exceed 10 years from the date of grant of the relevant option) which shall be determined by the board of Directors in its absolute discretion at the time of grant. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options of 8,860,000 underlying shares were granted on 6th August, 2008 at the exercise price of HK$1.93.

Share options of 20,300,000 underlying shares were granted on 28th June, 2007 at the exercise price of HK$5.14.

39 Share-based Payments *(Continued)*

Details are as follows:

Number of options	Vesting period	Exercisable period
Options granted on 28th June, 2007:		
6,766,666	28th June, 2007 to 27th June, 2008	28th June, 2008 to 27th June, 2017
6,766,667	28th June, 2007 to 27th June, 2009	28th June, 2009 to 27th June, 2017
6,766,667	28th June, 2007 to 27th June, 2010	28th June, 2010 to 27th June, 2017
Options granted on 6th August, 2008:		
2,953,333	6th August, 2008 to 5th August, 2009	6th August, 2009 to 5th August, 2018
2,953,333	6th August, 2009 to 5th August, 2010	6th August, 2010 to 5th August, 2018
2,953,334	6th August, 2010 to 5th August, 2011	6th August, 2011 to 5th August, 2018

2008

The following table discloses the Company's share options held by employees (including Directors):

	Outstanding at 1st January, 2008 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31st December, 2008 '000
Directors	10,800	4,330	–	300	14,830
Employees	9,200	4,530	–	1,000	12,730
	20,000	8,860	–	1,300	27,560

39 Share-based Payments *(Continued)*

2008 *(Continued)*

The following table discloses movements of the Company's share options by the vesting period during the year.

	Outstanding 1st January, 2008 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding 31st December, 2008 '000
Granted on 28th June, 2007:					
– with vesting period of 28th June, 2007 to 27th June, 2008	6,666	–	–	433	6,233
– with vesting period of 28th June, 2007 to 27th June, 2009	6,667	–	–	433	6,234
– with vesting period of 28th June, 2007 to 27th June, 2010	6,667	–	–	434	6,233
Granted on 6th August, 2008:					
– with vesting period of 6th August, 2008 to 5th August, 2009	–	2,953	–	–	2,953
– with vesting period of 6th August, 2009 to 5th August, 2010	–	2,953	–	–	2,953
– with vesting period of 6th August, 2010 to 5th August, 2011	–	2,954	–	–	2,954
	20,000	8,860	–	1,300	27,560
Exercisable at the end of the year	–				6,233

39 Share-based Payments *(Continued)*

2007

The following table discloses the Company's share options held by employees (including Directors):

	Outstanding at 1st January, 2007 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31st December, 2007 '000
Directors	–	10,800	–	–	10,800
Employees	–	9,500	–	300	9,200
	–	20,300	–	300	20,000

The following table discloses movements of the Company's share options by the vesting period during the year.

	Outstanding 1st January, 2007 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding 31st December, 2007 '000
Granted on 28th June, 2007:					
– with vesting period of 28th June, 2007 to 27th June, 2008	–	6,766	–	100	6,666
– with vesting period of 28th June, 2007 to 27th June, 2009	–	6,767	–	100	6,667
– with vesting period of 28th June, 2007 to 27th June, 2010	–	6,767	–	100	6,667
	–	20,300	–	300	20,000
Exercisable at the end of the year	–				–

For the share options granted on 6th August, 2008, the fair value of the options determined at the date of grant using the Binomial option pricing model ranged from HK$0.53 to HK$0.72.

39 Share-based Payments *(Continued)*

The following assumptions were used to calculate the fair values of share options:

Closing share price at the date of grant	HK$1.83
Exercise price	HK$1.93
Option life	10 years
Expected volatility	45%
Semi-annual dividend yield	2.8%
Risk-free interest rate	3.55%

For the share options granted on 28th June, 2007, the fair value of the options determined at the date of grant using the Binomial option pricing model ranged from HK$1.62 to HK$2.52.

The following assumptions were used to calculate the fair values of share options:

Closing share price at the date of grant	HK$5.25
Exercise price	HK$5.14
Option life	10 years
Expected volatility	48%
Semi-annual dividend yield	1%
Risk-free interest rate	4.78%

The Binomial option pricing model has been used to estimate the fair values of the options. The variables and assumptions used in computing the fair values of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share option expense of US$2,503,000 (2007: US$1,877,000) was recognised for the year ended 31st December, 2008.

40 Reserves

Company	Share premium US$'000	Share option reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1st January, 2007	98,011	–	47,776	145,787
Issue of ordinary shares on placing	48,865	–	–	48,865
Share issue expenses	(1,230)	–	–	(1,230)
Recognition of equity-settled share-based payments	–	1,877	–	1,877
Profit for the year	–	–	71,625	71,625
Dividend paid	–	–	(7,758)	(7,758)
At 31st December, 2007	145,646	1,877	111,643	259,166
Recognition of equity-settled share-based payments	–	2,503	–	2,503
Transfer of forfeited option reserves to accumulated profits	–	(250)	250	–
Loss for the year	–	–	(22,524)	(22,524)
Dividend paid	–	–	(8,122)	(8,122)
At 31st December, 2008	**145,646**	**4,130**	**81,247**	**231,023**

Distributable reserves of the Company at 31st December, 2008, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to US$81,247,000 (2007: US$111,643,000).

41 Bank Borrowings

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings comprise the following:				
Bank loans				
Unsecured				
– within 1 year	**346,522**	327,723	**173,338**	77,500
– in more than 1 year, but not exceeding 2 years	**21,829**	15,000	**–**	15,000
– in more than 2 years, but not exceeding 5 years	**3,658**	72,500	**–**	72,500
	372,009	415,223	**173,338**	165,000
Less: Amount due within one year shown under current liabilities	**(346,522)**	(327,723)	**(173,338)**	(77,500)
	25,487	87,500	**–**	87,500

During the year, in respect of certain banking facilities with outstanding balance of US$72,500,000 at 31st December, 2008, the Group was unable to meet the required interest coverage ratio stipulated under the respective facility agreements of these facilities. On discovery of this issue, the Directors informed the banks and commenced a renegotiation of the terms of the underlying facility agreements. At the balance sheet date, those negotiations had not been concluded and the entire outstanding balance was then classified in the current liabilities as at 31st December, 2008 accordingly. This renegotiation was subsequently concluded with the relevant covenant term as at 31st December, 2008 being amended by the banks in February 2009.

The Group's bank borrowings are principally on a floating rate basis which carry interest at either LIBOR or borrowing rate offered by the People's Bank of China plus certain basis points. Interest is repriced every one to six months.

The ranges of effective annual interest rates for the year 2008 on the Group's bank borrowings were 1.9% to 8.8% (2007: 4.4% to 7%).

41 Bank Borrowings *(Continued)*

On 20th May, 2005, the Company entered into a facility agreement with a syndicate of banks in respect of the US$100 million term loan and revolving credit facilities for a term of five years. Repayments commenced on 20th November, 2006 and will continue until 20th May, 2010. At the balance sheet date, the syndicated loan of the Group and the Company is amounted to US$68,750,000 (2007: US$81,250,000), of which US$68,750,000 (2007: US$12,500,000) is classified as current liability. The bank loan carries floating rate interest of LIBOR plus 0.625% per annum.

At the balance sheet date, the Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entity are set out below:

	2008 **US$'000**	2007 US$'000
RMB	**76,973**	43,726

42 Deferred Tax Assets (Liabilities)

Group

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

	Accelerated tax depreciation US$'000	Tax losses US$'000	Withholding tax US$'000	Other assets US$'000	Total US$'000
At 1st January, 2007	(118)	2,067	–	30	1,979
Credit to income	314	1,454	–	92	1,860
Effect of change in tax rate	(72)	1,898	–	32	1,858
At 31st December, 2007	124	5,419	–	154	5,697
Credit (charge) to income	11	(4,431)	(601)	(102)	(5,123)
At 31st December, 2008	**135**	**988**	**(601)**	**52**	**574**

42 Deferred Tax Assets (Liabilities) *(Continued)*

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits generated since 1st January, 2008 shall be subject to PRC Enterprise Income Tax and which held by the PRC entity pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment Enterprises and Foreign Enterprises. Deferred tax of US$601,000 on the undistributed earnings has been charged to the consolidated income statement for the year ended 31st December, 2008.

At 31st December, 2008, the Group has unused tax losses of US$53,493,000 (2007: US$41,344,000) available for offset against future profits. Tax losses of US$12,835,000 (2007: US$26,907,000) has been recognised as deferred tax assets. No deferred tax asset has been recognised on the remaining tax losses of US$40,658,000 (2007: US$14,437,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$597,000, US$46,000 and US$10,251,000 that will expire in 2010, 2011 and 2013 (2007: US$175,000, US$597,000 and US$46,000 in 2008, 2010 and 2011), respectively. Other losses may be carried forward indefinitely.

43 Partial Disposal of a Subsidiary

On 5th January, 2007, the Company completed its disposal of 20%, 7% and 2% equity interest of Hui Zhou Pacific Container Co., Ltd. to China Shipping Investment Co., Ltd., Mitsubishi Corporation and Mitsubishi Corporation (Hong Kong) Limited, respectively. Gain on partial disposal of a subsidiary of US$1,219,000 was recognised for the year ended 31st December, 2007.

44 Contingent Liabilities

	Group and Company	
	2008	2007
	US$'000	US$'000
Guarantees given to bank, in respect of banking facilities to a jointly controlled entity:		
– amount guaranteed	**13,000**	4,000
– amount utilised	**12,435**	4,000

45 Capital Commitments

	Group	
	2008	2007
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	**1,129**	4,002

The Company has no capital commitment at 31st December, 2008 and 2007.

46 Operating Lease Commitments

The Group as lessee

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

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Land and buildings				
– in the 1st year	**1,514**	1,408	**726**	126
– in the 2nd to 5th year inclusive	**3,319**	1,008	**968**	–
– beyond 5 years	**2,514**	547	**–**	–
	7,347	2,963	**1,694**	126

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.

46 Operating Lease Commitments *(Continued)*

The Group as Lessor

At the balance sheet date, certain leasehold land and buildings of the Company with an aggregate carrying amount of US$1,053,000 (2007: US$1,084,000) were rented out under operating leases. Property rental income earned during the year was US$60,000 (2007: US$76,000). These properties have committed tenants for the next year.

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

	Group and Company	
	2008	2007
	US$'000	US$'000
– in the 1st year	**60**	56

47 Related Party Transactions

Group

Other than those disclosed in notes 25 and 32 to the consolidated financial statements, 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:

	2008	2007
	US$'000	US$'000
Sales to ultimate holding company	**1,321**	27,518
Sales to fellow subsidiaries *(note)*	**2,261**	3,664
Sales to a related company *(note)*	**7,082**	7,613
Rental income received from a fellow subsidiary *(note)*	**60**	60

47 Related Party Transactions *(Continued)*

During the year, the Company disposed of a majority of its swap derivative financial instruments with an aggregate notional amount of US$371.5 million to STL at a total consideration of net payments of US$120,000. The consideration as agreed by both parties is an approximate fair value by reference to the estimated unwinding value provided by the swap derivative financial instruments counterparty as at the date of disposal.

Note: The fellow subsidiaries are Pacific International Lines (China) Ltd., PIL Logistics (China) Co., Ltd., Tranpac Holdings Inc. and STL. The related company is PILHK, in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, Directors, 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 of 30 days to 90 days.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2008 **US$'000**	2007 US$'000
Short-term employee benefits	**1,664**	1,496
Post-employment benefits	**43**	33
Share-based payment	**1,967**	1,435
	3,674	2,964

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

Company

The balance with ultimate holding company, fellow subsidiaries, associates, jointly controlled entities and subsidiaries are disclosed in the balance sheets and notes 22 and 25.

48 Post Balance Sheet Event

On 3rd March, 2009, the Company announced that, among other things, the Company will raise approximately HK$492.0 million (equivalent to approximately US$63.1 million in gross proceeds by issuing not less than 1,405,825,520 rights shares at the subscription price of HK$0.35 per rights share on the basis of two rights shares for every one existing share of the Company in issue (the "Rights Issue"). The proceeds from the Rights Issue are intended to be used by the Company for settling part of the Group's bank loans to save interest expenses and strengthen the Group's financial position. Dealings in the Rights Shares is expected to commence on 4th May, 2009.

	For the year ended 31st December				
	2008	2007	2006	2005	2004
	%	%	%	%	%
Sales Mix (as a percentage of sales)					
Manufacturing:					
Dry freight	**74**	78	86	86	82
Collapsible flatracks, other specialised containers, containers chassis and container parts	**9**	9	3	1	2
Refrigerated containers	**9**	9	7	9	9
Tank containers	**5**	2	–	–	–
	97	98	96	96	93
Logistics services:					
Hong Kong	**1**	1	3	3	5
PRC (other than Hong Kong, Macau and Taiwan)	**2**	1	1	1	2
	3	2	4	4	7
Total	**100**	100	100	100	100

	TEUs	TEUs	TEUs	TEUs	TEUs
Production volume					
20-foot containers	**274,047**	342,064	247,204	179,271	206,507
40-foot containers	**58,564**	142,144	80,896	114,404	122,776
40-foot high cube containers	**211,318**	327,260	222,292	199,540	286,810
45-foot high cube containers	**3,939**	5,262	13,467	1,067	2,743
Others	**19,532**	21,908	19,684	–	–
	567,400	838,638	583,543	494,282	618,836

	For the year ended 31st December				
	2008	2007	2006	2005	2004
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**1,385,269**	1,546,042	924,011	842,936	532,793
Profit from operations	**72,869**	44,496	30,549	57,404	32,538
Finance costs	**(28,108)**	(29,432)	(17,732)	(9,397)	(5,193)
Investment income	**2,046**	1,885	1,540	1,186	1,221
Changes in fair value of derivative financial instruments	**(30,457)**	24,881	7,468	67	–
Share of results of associates	**1,292**	(1,256)	1,189	1,208	1,065
Share of results of jointly controlled entities	**532**	420	(477)	9,683	20,828
Profit before taxation	**18,174**	40,994	22,537	60,151	50,459
Income tax expense	**(6,900)**	(6,635)	(1,219)	(6,146)	(3,116)
Profit for the year	**11,274**	34,359	21,318	54,005	47,343
Attributable to:					
Equity holders of the Company	**4,515**	33,994	18,096	44,899	39,636
Minority interests	**6,759**	365	3,222	9,106	7,707
	11,274	34,359	21,318	54,005	47,343
Earnings per share	**US0.64 cent**	US5.37 cents	US2.96 cents	US7.35 cents	US7.37 cents
Assets and Liabilities					
Total assets	**907,083**	1,091,637	963,647	512,477	543,114
Total liabilities	**(542,359)**	(735,769)	(694,366)	(257,511)	(328,602)
	364,724	355,868	269,281	254,966	214,512
Equity attributable to equity holders of the Company	**307,794**	305,855	226,146	215,714	180,737
Minority interests	**56,930**	50,013	43,135	39,252	33,775
Total equity	**364,724**	355,868	269,281	254,966	214,512