

# Chairman's Statement



**Mr. Chang Yun Chung**  
Chairman

## TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I would like to present the 2000 operating results of Singamas Container Holdings Limited (the "Company") and its subsidiaries (together the "Group"). For the year ended 31st December, 2000, the Group's turnover increased substantially to US\$179,720,000, representing a 30 per cent growth from 1999's US\$138,056,000. Total consolidated net profit amounted to US\$6,082,000, an increase of 78 per cent over the previous year's US\$3,424,000.

Good results were attributable to the outstanding performance achieved by all three business segments of the Group. The booming export from the People's Republic of China (the "PRC") in 2000 resulted in higher demand for new containers. With its well-established network of container factories and depots, especially in the PRC, continuous improvement in production efficiency and quality, and the implementation of stringent cost controls to minimize cost during the year, the Group was well positioned to benefit from this favourable situation.

During the period under review, the performance of the container manufacturing operations had the biggest improvement in terms of both turnover and profit as compared to 1999. Higher trade volumes in the region boosted container demand and stabilised container selling prices. In addition, the Group's strategy to boost production output to achieve economy of scale also helped to increase the profit margin.

The Group continued to achieve promising results in its container depot operations. With a comprehensive depot network covering the north to the south along the coastal port cities of the PRC, the Group was benefited from the rising container throughput in these areas.

China's entry into the World Trade Organization ("WTO") is expected to have nominal effects for the Group in the near term. However, in the medium and long term, trade activity in the PRC is expected to grow substantially over time, with more business opportunities opening up for foreign firms, generating a favourable business environment and additional business opportunities to the

## Chairman's Statement (continued)



**Mr. Teo Siong Seng**  
President & Chief Executive Officer

Group. It is expected that there would be a significant increase in the demand for new containers in the PRC and the nearby region and in the container throughput at major Chinese ports, resulting in the corresponding increase in the business volumes of the Group's container manufacturing and depot operations. With the vision and commitment of its management, the Group has strengthened its existing network of container manufacturing factories and depots to prepare for the increasing trade activities in the Asian market, as well as to generate higher profits and returns to its shareholders.

### **BUSINESS REVIEW**

Singamas was listed on The Stock Exchange of Hong Kong Limited in 1993. Within a decade of development and with continuous efforts, the Group has evolved into one of the world's leading container manufacturers and a major operator of container depots in the Asia-Pacific region. The Group now operates five production factories in the PRC, and one in Surabaya, Republic of Indonesia ("Indonesia"), producing dry freight containers, collapsible flatrack containers ("flatrack"), open top containers, bitutainers, Chlorofluorocarbon ("CFC") free refrigerated containers ("reefer"), other specialised containers and container parts. It also operates nine container depots, two in Hong Kong, six in the PRC and one in Bangkok, Thailand, and a mid-stream operation in Hong Kong.

### **CONTAINER MANUFACTURING OPERATIONS**

Container manufacturing is the Group's core business accounting for 83 per cent of the total turnover. It recorded a turnover of US\$148,540,000 and a profit before taxation and minority interests of US\$5,426,000, 35 per cent and 492 per cent higher than the previous year, respectively.

The increase in regional trade activities has stimulated the demand for dry freight containers. Cost of raw materials, especially the cost of steel and floorboards remained stable. At the leading position accounting for nearly 90 per cent of the world global market, the PRC's total container output in 2000 reached 1.5 million twenty-foot equivalent units ("TEUs"), an increase of over 36 per cent from 1999.

## Chairman's Statement (continued)

The year 2000 was a fruitful year for the Group. Capturing a larger market share and further achieving economy of scale, the Group's production increased significantly to 148,922 TEUs in 2000 as compared to 100,833 TEUs attained in 1999.

Shanghai Pacific International Container Co., Ltd., which is located in Shanghai, the PRC, and is one of the world's largest single production line factories for dry freight containers, continued to provide good returns to the Group. During the year under review, its production increased to 80,279 TEUs, representing a growth of 42 per cent over the previous year's 56,428 TEUs.

Xiamen Pacific Container Manufacturing Co., Ltd. ("Xiamen Pacific") is the only container manufacturing factory in Xiamen and Fujian Province. In the year under review, Xiamen Pacific performed well with a production of 47,810 TEUs, 83 per cent higher than 1999. In the light of increasing container demand in the region, Xiamen Pacific started a second production shift in July 2000 whereby its monthly production capacity increased from 3,500 TEUs to 5,800 TEUs to capture this additional demand. As Xiamen Pacific has been achieving good results, on 29th April, 2000, the Company signed an equity transfer agreement with Xiamen Head Co., Ltd. to acquire an additional 15% equity interest in the factory and the Company's equity interest in Xiamen Pacific increased to 40%. This transaction was completed on 27th September, 2000.

Singamas Container Industry Co., Ltd. ("Singamas Container"), located in Yixing, Jiangsu Province, the PRC, specialises in the production of flatrack, bitainers, other specialised containers, container lashing gears and container components. Performance of Singamas Container was stable in 2000.

P.T. Java Pacific Container Factory, the Group's dry freight container manufacturing factory located in Surabaya, Indonesia maintained stable output and achieved positive results. During the year under review, the factory produced 15,078 TEUs, 5 per cent slightly higher than 1999.

Shanghai Reeferco Container Co., Ltd. ("Shanghai Reeferco"), which specialises in the production of environmentally friendly reefers, managed to turnaround and achieved a profit before taxation and minority interests of US\$1,094,000, as compared a loss of US\$1,478,000 in the previous year. The significant improvement was due to the increase in sales together with Shanghai Reeferco's efforts to improve production efficiency and lower costs.

## Chairman's Statement (continued)

In addition, Singamas Refrigerated Container Ltd., a subsidiary of the Company and the immediate holding company of Shanghai Reeferco, signed a joint venture agreement with Hyundai Mobis Company Limited ("Hyundai Mobis") on 19th July, 2000, whereby Hyundai Mobis becomes a strategic shareholder of Shanghai Reeferco. As part of the joint venture agreement, Shanghai Reeferco and Hyundai Mobis entered into a technical collaboration agreement in that Hyundai Mobis transferred technical know-how and key production equipment and machinery from its Ulsan factory in South Korea to Shanghai Reeferco for the upgrading of Shanghai Reeferco's production facilities and process. After the transfer of equipment and machinery, Hyundai Mobis closed down its Ulsan factory in October 2000. In addition to the technical aspect, the marketing team of Hyundai Mobis also provides marketing assistance in promoting Shanghai Reeferco to Hyundai Mobis' existing customers. It is expected that the improved facilities and higher efficiencies will increase Shanghai Reeferco's production capacity. With Hyundai Mobis' broad base of customers, widely recognized brand name and leading technology, this cooperation will enhance Shanghai Reeferco's competitiveness in terms of cost, product quality and marketing.

### CONTAINER DEPOT OPERATIONS

The Group's container depot operations recorded a turnover of US\$21,856,000 and a profit before taxation and minority interests of US\$3,072,000 in 2000, representing an increase of 8 per cent and 19 per cent, respectively. The growth in profit was mainly due to the good performance of the Group's container depot business in the PRC.

Based on industry statistics published recently, Shanghai was ranked the busiest port in the PRC and the 6th largest in the world in 2000. The Shanghai Harbour handled 5.6 million TEUs in 2000, an increase of 32 per cent over 1999. Besides, cargo throughput handled by the PRC's major ports along the coastline surged over 30 per cent in the year. Qingdao, Tianjin, Xiamen and Dalian each handled over 1 million TEUs of container during the year. As a major player with a comprehensive network along these coastal ports, the Group's PRC container depots benefited from this strong growth in container throughput and collectively handled more than 1 million TEUs in 2000. Turnover of US\$14,205,000 was achieved, and profit before taxation and minority interests reached US\$2,806,000, representing an increase of 16 per cent and 52 per cent, respectively from 1999.

## Chairman's Statement (continued)

In 2000, the world estimated to handle over 210 million TEUs, with more than 45 per cent handled in Asia. It is expected that this trend will continue in the near future. The British Ocean Shipping Consulting Company has predicted that container handling capacity of the PRC's ports will climb to a leading position in Asia. The Group's PRC depots will benefit from this favourable climate bringing satisfactory returns to the Group in the years to come.

During the year under review, the growing cargo throughput in Hong Kong, with the growth rate estimated at 12.5 per cent, affected the empty storage business of the Hong Kong depots. However, this growth rate slowed down during the fourth quarter of 2000 and improved the Group's empty storage business during this period. In 2000, the Group's Hong Kong depots handled 450,000 TEUs. With stringent cost controls and improved efficiency, the Group's Hong Kong depots remained profitable and attained a profit before taxation and minority interests of US\$266,000.

### MID-STREAM OPERATION

In 2000, the mid-stream operation handled 110,000 TEUs, provided a stable source of income to the Group. Sales volume remained stable accounting for 5 per cent of the total turnover and resulted in a profit before taxation and minority interests of US\$1,668,000, increased 43 per cent from 1999's US\$1,167,000. The Group is confident that its mid-stream operation will continue to contribute positively to the Group in the future.

### PROSPECTS

Progressing into the new millennium, the Group will continue its commitment to business development and profit enhancement. The Group's strategy to further expand its container manufacturing operations in the PRC and extend its depot network coverage from the PRC into other Asian countries will accelerate its market share in the years to come.



SSPC

To strengthen the competitiveness and market position of its container manufacturing business in the PRC and the global market, the Group has further increased its production capacities by entering into a joint venture agreement with Shunde Shun An Da Container Manufacturing Co., Ltd. ("Shun An Da") on 6th February, 2001. After the signing of the agreement,

## Chairman's Statement (continued)

a new joint venture company will be set up and will be named Shunde Shun An Da Pacific Container Co., Ltd. ("SSPC"). The Group holds a 40 per cent stake in SSPC. SSPC mainly produces ISO dry freight containers and 45-foot/48-foot specialised containers. It has two production lines with an annual production capacity of 155,000 TEUs.

The Group's cooperation with Shun An Da began in September 1999 under a commercial management agreement. With the joint efforts of both parties, the production efficiency of Shun An Da has been greatly improved and the cooperation has been good. The inclusion of SSPC enables the Group to extend its manufacturing network to the Southern PRC to capture the booming market demand in that region. It is expected that Group's total annual container production capacity will be nearly doubled, reaching over 350,000 TEUs.



Singamas Falcon

The Group entered into a shareholders' agreement on 12th February, 2001 with Pacific International Lines (Private) Ltd., Eastern Maritime (Thailand) Ltd. and a private investor to establish a new container depot, Singamas Falcon Logistics Co., Ltd. ("Singamas Falcon") in Bangkok, Thailand. The Group holds a 25 per cent equity interest in Singamas Falcon. Witnessing the economic recovery in Thailand and increasing container

throughput in the Asia Pacific region, the Group believes that trade activities in the area will grow over time. The Group is leveraging this business opportunity to expand its depot business network coverage from the PRC to other countries in the Asian region. The Group is confident that this newly added depot will generate satisfactory returns to the Group.

Additionally, the Group will be continuing to seek new business opportunities to extend its container manufacturing and depot network with joint co-operations or acquisitions of factories and depots at strategic locations.

## **Chairman's Statement (continued)**

To provide quality customer services, the Group is currently establishing an e-commerce business model, an online system to conduct business electronically. At its initial stages, it will provide information for customers. The system will be installed in all of the Group's factories, container depots and mid-stream operation. In the future, customers will be able to access up-to-date information and place orders via the Internet.

### **CONCLUSION**

I would like to take this opportunity to extend my sincere gratitude to our customers, suppliers, bankers, investors and business partners for their continuous co-operation, support, patronage and confidence in the Group. I would also like to thank my colleagues for their efforts and hard work over the past year. They have made a significant contribution to the year's results. We invite our investors to join us in what will be an exciting period of development and growth for the Group in the years to come.

**Chang Yun Chung**

*Chairman*

Hong Kong, 3rd April, 2001