

### TO OUR SHAREHOLDERS

On behalf of the Board of Directors ("Directors"), it gives me a great pleasure to present the 2001 operating results of Singamas Container Holdings Limited (the "Company") and its subsidiaries (together the "Group"). For the year ended 31st December, 2001, the Group's turnover was US\$171,962,000, slightly lower than last year's US\$179,720,000. Despite the drop in turnover, the Group achieved a record high consolidated net profit of US\$10,313,000, representing an increase of 69.6 per cent over US\$6,082,000 recorded in 2000.

the world's leading container manufacturers and has evolved into a major logistics services provider.

### BUSINESS REVIEW

Singamas was listed on The Stock Exchange of Hong Kong Limited in 1993. It is one of the world's leading container manufacturers and logistics service providers. The manufacturing business covers seven container factories, six in the People's Republic of China (the "PRC"), and one in Surabaya, the Republic of Indonesia ("Indonesia"), producing dry freight containers, collapsible



**Mr. Chang Yun Chung**  
Chairman

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

In view of these positive results, the Directors propose to pay the final dividend of HK2 cents per share for the year ended 31st December, 2001 to members whose names appear on the Register of Members of the Company on 5th June, 2002. Subject to approval at the forthcoming annual general meeting, the proposed dividends will be sent to shareholders on 30th July, 2002.

Achieving a record high profit since its listing in 1993, 2001 was a remarkable year for the Group. During the year, the Group has further strengthened its position through various acquisitions. Despite the intense competition and the economic slowdown last year, the Group was able to record satisfactory profit growth in 2001. Riding on its solid foundations, proven business strategies, effective management, cost controls and business developments, the Group continued to be one of

flatrack containers ("flatracks"), open top containers, bitainers, Chlorofluorocarbon ("CFC") free refrigerated containers ("reefers"), other specialised containers and container parts. Its logistics operations include nine container depots, two in Hong Kong, six in key locations in the PRC of Dalian, Tianjin, Qingdao, Shanghai, Ningbo and Xiamen, and one in Bangkok, Thailand, a mid-stream operation in Hong Kong, a logistics company in Xiamen, the PRC and a river container terminal in Shunde, the PRC.

### CONTAINER MANUFACTURING OPERATIONS

Accounting for approximately 77.6 per cent of total turnover, container manufacturing remained the Group's core business. Turnover was US\$133,367,000, down 10.2 per cent from 2000. Profit before taxation and minority interests; however, rose 99.1 per cent to US\$10,954,000 against the previous year's US\$5,501,000.

Singamas, being one of the world's leading container manufacturers, captured 16% of the world market and 20% of the PRC market in 2001. After the acquisition of Shunde Shun An Da Pacific Container Co., Ltd. ("Shun An Da") in February 2001, the Group's maximum production capacity (based on two production shifts) increased from 200,000 twenty-foot equivalent units ("TEUs") in 2000 to 400,000 TEUs in 2001.

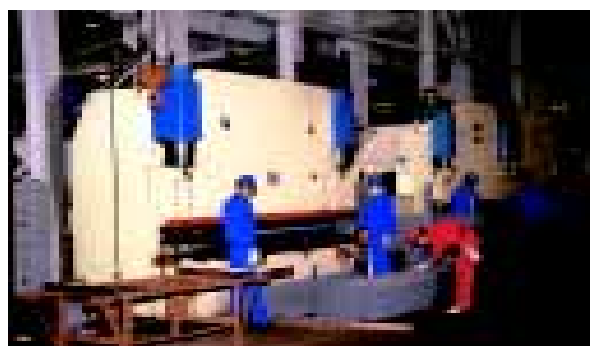
The global economic downturn depressed container selling prices and demand. Although demand for new orders slowed down in the second half of the 2001 with the average selling prices for dry freight containers falling by approximately 7 per cent comparing to 2000, the Group was able to increase this segment's profit. Better profitability was mainly attributable to its prudent cost control policies and the decline in material costs; in particular, the decline in the costs of steel and plywood, compensated for the decrease in selling prices.

In view of the slowdown in container demand, Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific") and Xiamen Pacific Container Manufacturing Co., Ltd. ("Xiamen Pacific"), which operated on two production shifts in 2000 for manufacturing of dry freight containers, returned to operate on one shift in the second half of 2001. Accordingly, production of both Shanghai Pacific and Xiamen Pacific decreased to 50,969 TEUs and 30,670 TEUs, respectively as compared to 80,279 TEUs and 47,810 TEUs in the previous year.

Singamas Container Industry Co., Ltd. ("Singamas Container"), located in Yixing, Jiangsu Province, the PRC, specialises in the production of flatracks, bitutainers, other specialised containers, container lashing gears and container components. The performance of Singamas Container remained stable in 2001.

P.T. Java Pacific Container Factory, the Group's dry freight container manufacturing factory located in Surabaya, Indonesia achieved satisfactory results with production of 16,920 TEUs in 2001, 12.2 per cent higher than 2000. Encouraging performance was mainly due to improved production efficiency.

Shanghai Reeferco Container Co., Ltd. ("Shanghai Reeferco"), which specialises in the production of environmentally friendly CFC free reefers, reported significant growth in both turnover and profit by 80.5 per cent and 287 per cent, respectively. After its technical collaboration with Hyundai Mobis in July 2000, Shanghai Reeferco's production facilities and processes were fully upgraded in December 2000 and its efficiencies have greatly improved with daily production capacity increased from 12 units to 30 units. In 2001, Shanghai Reeferco produced 11,209 TEUs as compared to 2000's 5,240 TEUs.



To extend its manufacturing network from north to south of the PRC and further strengthen its competitiveness and market position by offering customers multi-locations deliveries, the Group made two acquisitions in 2001.

In February 2001, the Company acquired 40% equity interest in Shun An Da, which is located in Shunde, Guangdong Province, the PRC. This factory mainly produces ISO dry freight containers and 45-foot/48-foot specialised containers. In the second half of 2001, Shun An Da began making a positive contribution to the Group with annual production capacity currently at 160,000 TEUs. Its strategic location has also extended the Group's manufacturing network to the Southern PRC.

In November 2001, the Company added a northern manufacturing base by acquiring 55% equity interest in Tianjin International Maritime Container Engineering Co., Ltd.. After acquisition, the factory was renamed Tianjin

## Chairman's Statement

(continued)

Pacific Container Co., Ltd. ("Tianjin Pacific"). Tianjin Pacific, located in Tianjin, one of China's largest and most important port cities in the north, is a dry freight container factory with an annual production capacity of 50,000 TEUs.

### LOGISTICS SERVICES

The Group's logistics services, including container depots, container terminal, mid-stream and container logistics performed well despite of the economic slowdown in 2001.

### CONTAINER DEPOT/TERMINAL OPERATIONS

The Group's container depot/terminal operations continued their good performance. Turnover reached US\$25,781,000 as compared to US\$21,856,000 last year. Profit before taxation and minority interests rose significantly by 53.7 per cent to US\$4,781,000.

The PRC has been experiencing dynamic economic growth. Statistics showed that China's foreign trade nearly reached the US\$500 billion in 2001, up 7 per cent from 2000's US\$474.3 billion. Although the growth rates of container throughput handled by the PRC's major ports along the coastline decreased from 2000, the growth rates were still at double-digits. Shanghai, Qingdao, Tianjin, Ningbo and Xiamen were amongst the busiest ports in the PRC and they collectively achieved a growth rate of 18.1 per cent. With a comprehensive container depot network along these coastal ports, the Group will continue to benefit from this growth. China's accession to the World Trade Organization has gradually lifted the quota system and relaxed import controls, which will boost trade activities and create more business opportunities for the Group.

To penetrate other ASEAN markets, the Group established a new container depot, Singamas Falcon Logistics Co., Ltd. ("Singamas Falcon"), in Bangkok, Thailand in February 2001. Singamas took up 25% shareholding in this depot. Since its operations commenced in August 2001, performance of Singamas Falcon improved gradually. It is expected that Singamas Falcon will bring satisfactory contributions to the Group in the years to come.

During the reporting period, the declining container throughput in Hong Kong increased the Group's empty

container storage business. As a result, the Group's two container depots in Hong Kong achieved a profit before taxation and minority interests of US\$1,053,000, as compared to last year's US\$266,000.

To further enhance its logistics services, the Group acquired 40% equity interest in a river container terminal – Shunde Leliu Wharf & Container Co., Ltd. ("SLWC"), which is located in Shunde, Guangdong Province, the PRC in November 2001. SLWC is equipped with annual handling capacity of 180,000 TEUs of containers and 150,000 tons of general/breakbulk cargoes, while its daily storage capacity is 50,000 TEUs. To facilitate cargo delivery and pick-up, shorten customs clearance time and save customer costs, SLWC has an on-site customs office, a professional customs clearing company, an "X-Ray Scanner" for container inspections, a large container freight station and a bonded warehouse providing comprehensive services to customers. The terminal is also authorised by the local customs to handle import of waste materials (such as plastics, metals and papers) which would further increase SLWC's future profit potential.

SLWC is conveniently located next to the Guangdong Province's highway network. This investment has further strengthened the Group's overall logistics service capabilities, improved the Group's profitability and enhanced its market position in the region.

### MID-STREAM OPERATION

During the period, the downturn in the global economy affected the container throughput at the Hong Kong main terminals; however, the container throughput handled by the mid-stream sector was actually increased by 2 per cent from last year. Consequently, the Group's mid-stream operation handled 258,957 TEUs in 2001 as compared to 199,682 TEUs handled in 2000 and resulted in an increase of 37.4 per cent in turnover. Although turnover was increased to US\$12,814,000, due to increasing competition, profit before taxation and minority interests remained same as 2000's level of US\$1,946,000. Nevertheless, with the Group's continuous efforts in cost control and operational efficiency enhancement, the Group is confident that its mid-stream operation will continue to contribute positively to the Group in the future.

## LOGISTICS OPERATIONS

To diversify its existing business and to become a total logistics company offering a full range of container related services to customers, the Company entered into a shareholders agreement on 8th September, 2001 to set up a logistics company named Xiamen Superchain Logistics Development Co., Ltd. ("Xiamen Superchain"). Xiamen Superchain, in which the Company is holding 6.83% shareholding, is located in the Xiangyu bonded area of Xiamen, the PRC. The business scope of Xiamen Superchain includes freight forwarding, supply chain management, international cargo courier services, bonded warehouse storage, import/export trade and transshipment, and other cargo logistics related services. Xiamen Superchain commenced operations in January 2002.

## PROSPECTS

The globalization of the world economy has created a strong impact on the business environment. In order to maintain market share, it is essential for industry players to provide customers with efficient, timely and comprehensive range of services.

In the future, the Group will continue its commitment to diversify its businesses within the maritime industry and enhance the Group's profitability by its well mapped development plans, flexible inventory policies and prudent financial management.

Following its development plan, the Group made a number of investments in 2001. Amongst them, SLWC provides an outstanding logistics arm, which is able to handle

customs clearance speedily for customers. In view of this competitive advantage, the Group increased its equity interest in SLWC to 40%. It is confident that SLWC will contribute positively to the Group starting in 2002, its first year of commercial operations.

Container depot/terminal operations made satisfactory contributions to the Group's profit in 2001. Other logistics operations also provided significant income to the Group. To enhance its overall profitability, the Group will steadily expand its logistics operations, further increasing their significance to the Group's overall profit in the coming years.

The Group will continue its prudent strategies, seek positive investment opportunities and extend its network coverage both in the PRC and other potential markets across the region. This will optimize the utilisation of the Group's resources, and will help to diversify the Group's existing businesses and improve its overall profitability.

## CONCLUSION

On behalf of the Group, I would like 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. In the future, we will continue our commitment to achieve promising results for the Group and bring in better returns for our investors.



**Chang Yun Chung**  
*Chairman*

Hong Kong, 2nd April, 2002