Chairman's Statement

To Our Shareholders

On behalf of the Board of Directors ("Directors"), I am pleased to present the 2002 operating results of Singamas Container Holdings Limited (the "Company") and its subsidiaries (together the "Group").

Mr. Chang Yun Chung
Chairman

Mr. Teo Siong Seng
President & Chief Executive Officer

For the year ended 31st December, 2002, the Group's turnover increased 5 per cent. to US$180,637,000. Consolidated net profit rose 42.4 per cent. to US$14,689,000. Leveraging on the solid foundations established over the years, the Group has been able to record earnings growth for the sixth consecutive year, with both turnover and profit hitting record highs in 2002. Better profitability was largely due to the increasing contributions from our acquisitions made in the recent years.

During the year, we placed strong effort in enhancing our investor relations and continuously providing quality information of the Group to the public. Our committed efforts brought in excellent results and led to an appreciation in our share price. In 2002, Singamas' share price ranked the third place in terms of price growth among the 980 listed companies in Hong Kong. We would like to express our heartfelt thanks to our investors for their continued support of Singamas.

Dividend

The Directors propose to pay a final dividend of HK6 cents per ordinary share for the year ended 31st December, 2002 to members whose names appear on the Register of Members of the Company on 23rd April, 2003. Subject to approval at the forthcoming annual general meeting, the proposed dividends will be sent to shareholders on or before 30th May, 2003.

Business Review

Committed to providing integrated and quality container related services to customers, we have been undertaking a series of acquisitions since our establishment. Today, we have established our position as one of the world's leading container manufacturers and a major logistics services providers in the industry. Our comprehensive container factory and depot networks extending along the PRC's coastline has formed a "chain store", which has strengthened our competitiveness by enabling us to provide effective and efficient services to our customers and enhancing our multi-locations delivery and serviceability capabilities. Through the streamlining of our operations and the co-ordination of raw materials procurement, the Group has been able to achieve economies of scale and improve operating margin.

Container Manufacturing

Accounting for 78 per cent. of the total turnover, container manufacturing continues to be the Group's core business. Production for the Group, including those produced by its associates and jointly controlled entities, reached 309,940 twenty-foot equivalent units ("TEUs") in 2002, increased by 55 per cent. from 2001. Turnover reached US$141,420,000 in 2002, compared to US$133,367,000 last year. Profit before taxation and minority interests increased 27 per cent. to US$13,904,000. Better performance was mainly due to the additional profit contribution by Shunde Shun An Da Pacific Container Co., Ltd. ("Shun An Da"). Our acquisition of Shun An Da's 40 per cent. equity stake was completed in the third quarter of 2001. As our share of Shun An Da's results could only be fully accounted for after completion of this acquisition, the Group's share of Shun An Da's profit in 2002 accordingly increased from 2001.

During the year, the Group increased our equity stakes in our existing facilities and acquired/set up two new production plants:

- We increased our equity stake in Tianjin Pacific Container Co., Ltd ("Tianjin Pacific") by 35 per cent. to 90 per cent., as well as increased our stake in Shun An Da by 20 per cent. to 60 per cent..
- Through our 60 per cent. owned-subsidiary - Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific"), we acquired a 65 per cent. equity stake in Shanghai Hyundai Container Manufacturing Co., Ltd. ("Shanghai Hyundai"), which has been renamed as Shanghai Baoshan Pacific Container Co., Ltd. after our acquisition. We also formed a joint venture in Qingdao, the PRC with Hiking Group Co., Ltd. ("Hiking Group").
- After these acquisitions, the Group's maximum production capacity (based on two production shifts) will increase to 620,000 TEUs, which has further strengthened our market position as one of the world's leading container manufacturers.

Tianjin Pacific is a dry freight and specialised container manufacturing factory located in Tianjin, an important port city in Northern PRC, with a maximum annual production capacity of 50,000 TEUs. In view of its growth potential, the Group increased our total equity interest in Tianjin Pacific to 90 per cent. in September 2002. Although Tianjin Pacific recorded a loss in 2002, the loss was largely a result from the company's restructuring arrangements. If these one-off write-offs were excluded, Tianjin Pacific would already reach break-even in 2002, its first year of operation after we took over its management. It is expected that Tianjin Pacific would be contributing positively to the Group in the near future.

Shun An Da, with an annual production capacity increased to 200,000 TEUs after adding a third production line for specialised containers, is the largest single dry freight and specialised container production factory in the world. Following the acquisition of a 40 per cent. equity interest in February 2001, the Group purchased an additional 20 per cent. stake in Shun An Da in November 2002. This acquisition was completed in January 2003 and Shun An Da has become the Company's non-wholly owned subsidiary since then. Located in Shunde, Guangdong Province, the PRC, Shun An Da extends the Group's manufacturing network to the Southern PRC.

Shanghai Hyundai is a dry freight and specialised container factory located in Shanghai, the PRC, with a maximum annual production capacity of 80,000 TEUs. Shanghai Pacific acquired 65 per cent. equity stake in Shanghai Hyundai in August 2002. The Company further acquired Shanghai Hyundai's remaining 35% equity stake in January 2003. Upon completion of this acquisition, the Group's effective equity interest in Shanghai Hyundai will increase from 39% (indirectly held through Shanghai Pacific) to 74%. With this acquisition, the Group now owns two dry freight container factories in Shanghai with an aggregate annual production capacity of 160,000 TEUs. Besides to further strengthening the Group's competitiveness, this acquisition also enables us to respond more spontaneously and effectively to customer demands in Shanghai and nearby areas.

In September 2002, the Company entered into a joint venture agreement with Hiking Group, which is the largest foreign trade company in the Shandong Province, the PRC, to establish a new dry freight and specialised container factory in Qingdao, the largest container port in the Northern PRC and the third largest in the PRC. This factory will be named Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific") and its projected annual production capacity is 100,000 TEUs. Under this joint venture agreement, the Company will hold 55 per cent. equity stake in Qingdao Pacific. By adding this new factory, the Group would have two factories in the Northern PRC, which would further strengthen the Group's container factory network. This factory is currently undergoing the approval process by the local authorities and it is expected that all required approvals would be obtained by April 2003. The construction of the factory would be completed by the fourth quarter of 2003 and commercial operations are expected to start by January 2004. Strategically located in the Huangdao District – the Economic and Technological Development Zone of Qingdao, Qingdao Pacific is expected to benefit from the rapid trade growth in the area. In view of its strategic location and growing container demand in the area, we are confident that Qingdao Pacific would generate satisfactory results to the Group.

Performance of the Group's other manufacturing facilities was stable in 2002. The Company's acquisition of 36.17% of Shanghai Reeferco Container Co., Ltd. ("Shanghai Reeferco")'s equity stake will complete by August 2003. Upon completion of this acquisition, the Company's effective interest in Shanghai Reeferco will increase from 52.47% to 88.64%. In light of the profit growth by Shanghai Reeferco in the recent years, a higher contribution from Shanghai Reeferco is forecasted for the second half of 2003.

While dry freight container is the Group's major product accounting for over 90 per cent. of the Group's total output, specialised containers require higher technology and a more complicated production process but enjoy higher profit margins. To enlarge the product mix and increase our profit margins, the Group has been actively exploring new products, including the production of log carriers, car racks and others.

During the year, steel and plywood prices, the major raw materials for container production, increased by 30 per cent. and 10 per cent., respectively from their respective lowest price level at the beginning of 2002. However, the escalating demand for containers further bolstered container prices in the second half of 2002 and mitigated the cost increment. Although costs can be passed on to customers, it is common to experience a three-month delay in price adjustments.

Logistics Services

Container Depots/Terminals

The total area and storage capacity of the Group's container depots/terminals are about 1.2 million square metres and 160,000 TEUs, respectively. During 2002, our container depots/terminals handled a total of 2,975,000 TEUs of containers with an average container storage of 90,000 TEUs. Due to the below expectation performance by the Hong Kong depot operations as a result from the west coast strike in the United States, turnover from the Group's container depot/terminal operations decreased 8 per cent. to US$23,593,000. Profit before taxation and minority interests also dropped 7 per cent. to US$4,447,000.

Turning to the PRC, its strong growth in exports and container throughput at major ports have created more business opportunities for the Group. Shanghai, Qingdao, Tianjin, Ningbo, Xiamen, Dalian and Fuzhou, where the Group's depot operations are located, continued to be among the top ten busiest ports in the PRC with an average growth of 32 per cent. in 2002. In addition, the Group's depots in Shanghai, Ningbo and Xiamen are the leading operators in their respective areas, enabling the Group to secure our market presence in these locations. With such a comprehensive container depot network along these coastal ports, the Group continues to benefit from the strong growth.

Shunde Leliu Wharf & Container Co., Ltd. ("SLWC"), the river container terminal, which is 40 per cent. owned-associate of the Company, commenced full operations in early 2002. In its first year of commercial operations, it was already profitable with satisfactory results.

Besides investing in manufacturing operations, the Group also established a joint venture – Fuzhou Singamas Warehousing & Trading Co., Ltd. ("Fuzhou Singamas") in September 2002 and this depot will start its commercial operations in the second quarter of 2003. The container depot in Fuzhou was set up to tap on the business opportunities in the area. Operating in an area of 17,500 sq.m., Fuzhou Singamas has a storage capacity of 2,500 TEUs and a repair capacity of 30 containers per day. It offers comprehensive services to customers, including container storage, container collection and delivery, container repair, CFS, truck haulage and other container related services.

Mid-stream

Benefiting from growing trade activities at the Pearl River Delta area, the Group's mid-stream operation achieved satisfactory results in 2002. Turnover increased 22 per cent. to US$15,624,000 with profit before taxation and minority interests of US$2,646,000, an increase of 36 per cent. from last year. In 2002, the mid-stream operation handled 318,966 TEUs of container, increased by 23 per cent. from 2001. Through the implementation of prudent cost control strategies, the Group has been able to maximize the profitability of our mid-stream operation.

Logistics

Xiamen Superchain Logistics Development Co., Ltd. ("Xiamen Superchain") is a 6.83 per cent. owned-associate of the Company. Commencing operations in January 2002, Xiamen Superchain has been performing well and continuing to expand during the year. Since the Company only holds a small stake in Xiamen Superchain, it did not made any significant contribution to the Group. However, serving as a logistics arm for the Group, it has enabled us to further diversify our business from container manufacturing to the provision of total logistics services.

Prospects

The PRC's continued export growth has provided a favorable environment for container related businesses. With comprehensive container factory and depot networks along the PRC's coastline and as one of the world's largest container manufacturers, Singamas is well positioned to capture these business opportunities arising in the PRC.

To ride on this growth momentum, the Group has been actively undergoing a number of investment projects, which include new acquisitions as well as further acquisitions in existing operations.

The key policy of the Group is to add stakes in projects gradually in order for us to be able to monitor the various projects' operating performance before deciding on further investment. Guided by this policy, the Company acquired a further 35 per cent. equity interest in Shanghai Hyundai in January 2003. The increase in equity has strengthened the Group's presence in the container manufacturing business and improved our overall efficiencies.

It is expected that Qingdao Pacific would start commerical operation by January 2004. In view of its strategic location, the Group is confident that Oingdao Pacific would further enhance the Group's overall profitability.

Among our existing depot operations, the Group saw SLWC's good growth potential and took up an additional 19 per cent. stake in February 2003. After this further acquisition, the Group's effective equity interest in SLWC increased from 40 per cent. to 59 per cent. The rising trade activities and the high degree of industrialization in the Pearl River Delta area has provided SLWC with a favorable growth environment. SLWC is expected to contribute satisfactory returns to the Group in the near future.

The recent investment projects in Shunde, Shanghai, Tianjin, Fuzhou and Qingdao have enhanced the Group's abilities to offer more value-added and a wider scope of container manufacturing and logistics services to the customers. Looking forward, Singamas will continue to seek profitable investment opportunities to further expand our core businesses and strengthen our competitive position.

Acknowledgement

On behalf of the Group, I would like to extend my sincere gratitude to our customers and business partners for their continuous co-operation and support to the Group. I would also like to thank my fellow board members for their contribution made to the Company and my colleagues for all their effort and hard work over the past year. Their good work has contributed significantly to the achievement of the Group's favorable results during the year. In the future, we will continue our commitment to achieve promising results for the Group to bring in better returns for our investors.

Chang Yun Chung
Chairman

Hong Kong, 24th March, 2003