

Chairman's Statement



Mr. Teo Siong Seng
President & Chief Executive Officer

Mr. Chang Yun Chung
Chairman

TO OUR SHAREHOLDERS

On behalf of the Board of Directors ("Directors"), I have great pleasure in presenting the operating results of Singamas Container Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2003.

Singamas has been able to achieve continual growth for seven consecutive years. The Group reported a consolidated turnover of US\$450,712,000 for the year ended 31st December, 2003, representing an increase of 149.5 per cent. from that of last year. Consolidated net profit increased by 38.7 per cent. to US\$20,370,000. Basic earnings per share reached US4.07 cents, comparing to US3.22 cents of last year.

DIVIDEND

In view of these positive results, the Directors proposed to pay a final dividend of HK6 cents per ordinary share for the year ended 31st December, 2003 to members whose names appear on the Register of Members of the Company on 19th May, 2004. Together with the interim dividend of HK3 cents, total dividend for the year was HK9 cents (2002: HK6 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be sent to shareholders on or before 30th June, 2004.

BUSINESS REVIEW

The Iraqi War and the Severe Acute Respiratory Syndrome outbreak during the year have masked uncertainties over the global economy. The PRC export market, however, continued to experience strong growth during the year, from which Singamas was able to benefit. The high demand for new containers and depot/terminal services during the year was attributable to the increased trade activities and container throughput at major PRC ports.

In 2003, the Group continued its focus on strengthening its core businesses. At the same time, strategic acquisitions and joint venture operations were undertaken aiming at business growth through gradual expansion. These strategic moves have further enhanced our comprehensive network of container factories, along major coastal port cities of the PRC, and our multi-location delivery capability. The results of which have been positively reflected in the Group's overall performance. Riding on our solid foundations, we strongly believe our strategic business direction will enable us to benefit substantially from the rapid economic expansion in the PRC in the years to come.

CONTAINER MANUFACTURING

Accounting for 92.2 per cent. of the Group's total turnover, container manufacturing continues to be the Group's core business. Being the major growth driver of the Group, our container manufacturing operations registered a turnover of US\$415,572,000 in 2003, compared to US\$141,420,000 in 2002. Profit before taxation and minority interests increased 65.5 per cent. to US\$23,011,000. Group production, including those produced by our associates and jointly controlled entities, reached 466,523 twenty-foot equivalent units ("TEUs") in 2003, an increase of 50.5 per cent. from 2002.

Improved profit was attributable to the higher demand for new containers in the region. High demand coupled with rising material costs have also led to rising container prices, which have been on the downtrend for years, and further enhanced this business sector's profit.

Substantial increase in turnover was mainly due to the turnover generated by Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da"), formerly known as Shunde Shun An Da Pacific Container Co., Ltd., which has been consolidated into the Group's accounts with effect from January 2003.

Continuous improvement in our financial results not only reflects the favourable market environment, but also the management's outstanding business strategies, pricing decisions and ability in identifying profitable investment opportunities. Listed below were the investments and latest developments made during the year:

- We acquired an additional 35 per cent. equity stake in Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") in January 2003 with our effective interest increased to 74 per cent..
- The acquisition of the additional 36.17 per cent. equity stake in Shanghai Reeferco Container Co., Ltd. ("Shanghai Reeferco") was completed in August 2003, bringing Singamas' total equity stake to 88.64 per cent..
- Construction of the Group's latest factory – Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific") was completed in October 2003 and the factory has commenced commercial operations in January 2004.
- We acquired an additional 10 per cent. equity stake in Shun An Da in November 2003.

Following these acquisitions and business developments, the Group's maximum annual production capacity (based on two production shifts) increased to 640,000 TEUs, which has further strengthened our market position as one of the world's leading container manufacturers.

Shanghai Baoshan is a dry freight and specialised container factory located in Shanghai, the PRC, with a maximum annual production capacity of 100,000 TEUs. After adding this factory into the Group, Singamas now owns two dry freight container factories in Shanghai with an aggregate annual production capacity of 184,000 TEUs. Shanghai Baoshan commenced its commercial operations in January 2003 and has started contributing profits to the Group since the second quarter of 2003.



Chairman's Statement *(Continued)*

Shun An Da operates in three production lines with an annual production capacity of 200,000 TEUs. In 2003, we increased our equity interest in Shun An Da to 70 per cent.. Strategically located in Shunde, Guangdong Province, Shun An Da has extended the Group's manufacturing network to the Southern part of the PRC.

Qingdao Pacific is a dry freight and specialised container factory, 55 per cent. owned by the Group and 45 per cent. owned by Hiking Group Co., Ltd. ("Hiking Group"), the largest foreign trade company in Shandong Province, the PRC. The factory is strategically located in the Huangdao District, Qingdao's Economic and Technological Development Zone, and has an annual production capacity of 100,000 TEUs. The factory has fully commenced operations in January 2004. With the addition of this new factory, the Group now has two container manufacturing plants in the Northern part of the PRC, which has further strengthened our container factory network. Our share of Qingdao Pacific's results will be reflected in the Group's accounts starting in 2004. In view of the growing container demand in the area, we are confident that Qingdao Pacific will contribute satisfactorily to the Group's results in the near future.



The Group's other manufacturing facilities also performed well during the year. In particular, Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific") managed to turnaround in 2003. After a series of our restructuring measures since its acquisition in December 2001, Tianjin Pacific contributed positively to the Group starting 2003. Shanghai Reeferco also reported good results during the year. We expect Shanghai Reeferco would make higher contribution to the Group after the completion of our additional acquisition of its 36.17 per cent. stake in August 2003.

Due to the high demand and shortage in supply of steel, steel price has increased substantially by 16.4 per cent. since early 2003, and is expected to further increase in

2004. Nevertheless, Singamas has been able to pass on the cost increase to customers and our 'cost-plus' pricing strategy has proved to be effective. Despite the increase in our selling prices, orders remained strong due to the strong trade growth in the region.

LOGISTICS SERVICES

CONTAINER DEPOTS / TERMINALS

During the year, the Group's container depots / terminals handled a total of 3,809,000 TEUs of containers with an average daily container storage of 116,000 TEUs. Total area and storage capacity add up to about 1.2 million square metres and 160,000 TEUs, respectively. Turnover of the Group's container depot / terminal operations was US\$18,090,000, against last year's US\$23,593,000. Profit before taxation and minority interests amounted to US\$6,352,000, compared to US\$4,447,000 recorded in 2002.

Chairman's Statement *(Continued)*

The decline in turnover was largely due to the deconsolidation of a subsidiary. In November 2002, Shanghai Singamas Container Transportation Co., Ltd., previously a 60 per cent. owned-subsiidiary of the Company, merged with two other companies with similar operating activities to form Shanghai Jifa Logistics Co., Ltd. ("Shanghai Jifa"), in which the Company is now holding 25 per cent. equity interest. The Group, therefore, no longer captures Shanghai Jifa's turnover in its consolidated accounts since the merger. In addition, the underperformance of our Hong Kong container depots also accounted for the drop in turnover.

With the mainland's exports growing in fast pace throughout 2003, especially towards the end of year since exporters were trying to get goods out before VAT refunds on exports are reduced in 2004, container throughput in the PRC was strong with double-digit growth. 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 a collective growth rate of 29 per cent. in 2003. In addition, our depots in Shanghai, Xiamen and Ningbo are the leading operators in the respective areas. We are confident that our well-established and comprehensive container depot network will enable the Group to continue enjoying the growth in the area for years to come.

In February 2003, the Group entered into a share transfer agreement and took up an additional 19 per cent. equity interest in Foshan Shunde Leliu Wharf & Container Co., Ltd. ("SLWC"), formerly known as Shunde Leliu Wharf & Container Co., Ltd.. This transaction was completed in April 2003 and the Group's effective interest in SLWC has increased from 40 per cent. to 59 per cent.. SLWC operates an outdoor bonded depot using containers as warehouse to store imported materials and goods. It entered into a five-year tenancy agreement with Formosa Plastic Logistic (HK) Corp. Ltd. ("Formosa"), a subsidiary of a Taiwan based multinational corporation – the Formosa Plastic Group, in July 2003 regarding the leasing of SLWC's outdoor bonded depot for the storage of Formosa's plastic materials, with an estimated monthly volume of no less than 5,000 TEUs of loaded containers. It is expected that Formosa will be using SLWC as its main logistics and warehousing center for its Southern China operations. We believe that the cooperation with Formosa would further enhance the Group's logistics capability and future profitability.



Fuzhou Singamas Container Co., Ltd. ("Fuzhou Singamas"), formerly known as Fuzhou Singamas Warehousing and Trading Co., Ltd., our latest established container depot, commenced operations in April 2003. Fuzhou Singamas is located within the Fuzhou Bonded Zone, close to Fuzhou Mawei Port. With an area of 17,500 sq.m., it has a storage capacity of 2,500 TEUs. With this newly added container depot and our increased stake in SLWC, the Group is well positioned to capture the potential business opportunities arising from the PRC's economic growth.

Due mainly to the reduction in empty container storage business in the area, our Hong Kong's container depot operations, on the other hand, were under-performed during the year. As Hong Kong is an essential location of the Group's container depot network, which extends from Northern PRC to Southeastern Asia, despite their disappointing performance, the Group will continue to operate its Hong Kong container depots. Remedial measures have been implemented during 2003 to reduce losses. The Group expects performance of its Hong Kong container depots would improve in 2004.

Chairman's Statement *(Continued)*

MID-STREAM AND LOGISTICS

Increasing trade activities in the Pearl River Delta area has contributed positively to the growth of the Group's mid-stream business. Turnover and profit before taxation and minority interests for this segment amounted to US\$17,050,000 and US\$2,742,000 respectively, an increase of 9.1 per cent. and 3.6 per cent. compared to last year. During the year, the mid-stream operation handled 330,887 TEUs of containers, compared to 318,966 TEUs last year.

Performance of Xiamen Superchain Logistics Development Co., Ltd. ("Xiamen Superchain"), in which the Company is holding 6.83 per cent. interest, remained satisfactory. In view of the high demand for logistics services in Hong Kong and the PRC, we have been gradually expanding the service scope of our container depot / terminal operations, providing more logistics related services to customers, in order to capture the vast opportunity of the region's logistics market.

PROSPECTS

With the overall economic outlook beginning to improve towards the end of 2003, we look forward to a more prosperous year ahead. Continued growth in export and container throughput at major PRC ports is expected as the nation becomes a major player in the global economy. In view of the increase in the number and size of new container vessels will be coming on stream these few years, we expect demand for new container would remain strong in 2004.

In the coming year, the Group will focus on business consolidation targeting at further improving the overall efficiency and operations management to enhance profitability. At the same time, we will selectively identify profitable investment opportunities. With Qingdao Pacific commencing full operations in January 2004, we expect continuous improvements in the Group's container manufacturing operations. Furthermore, with our comprehensive container factory and depot networks, we are solidly positioned to capture the region's arising opportunities as the PRC economy flourishes.

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 Singamas. I would also like to welcome Mr. Ngan Man Kit, Alexander as our Independent Non-Executive Director. In addition, I would like to thank my fellow board members and my colleagues for all their contributions and hard work over the past year. In the future, we will continue our commitment to achieving outstanding results for the Group, and bringing in promising returns for our shareholders.

Chang Yun Chung
Chairman

Hong Kong, 23rd March, 2004