Frequently Asked Questions

1. What are the significant business achievements attained in 2003?

A. In continuation of our business expansions made in the recent years, we have set up a new factory in Qingdao, the PRC and increased our stake in a number of our existing container factories and depots in 2003. After the business developments and expansion made in the last few years, we have established one of the most comprehensive container manufacturing and depot/terminal networks in the PRC. As one of the world's leading container manufacturers, our maximum annual production capacity has further increased to 640,000 TEUs. More importantly, other than the latest factory in Qingdao which has commenced commercial operations in January 2004, all of our investments and acquisitions made in these two years have already started contributing positively to the Group. As a result, the Group's turnover and net profit for the year were record highs at US$450,712,000 and US$20,370,000, respectively.

2. Will the container manufacturing business continue to be the Group's major growth driver in the years to come? Are there any plans to develop the Group's other business divisions and turn them into more significant contributors to the Group?

A. We expect our container manufacturing division would remain our core business and the Group's major growth driver in the foreseeable future.

   Developing and expanding the Group's other business divisions - container depot/terminal and mid-stream divisions, have always been one of our business objectives. In line with this objective, we have invested in new container depots/terminals and have been gradually expanding our service scope in these two divisions in the past few years.

3. The Group has made a number of investments and acquisitions in recent years. Will the Group continue such aggressive acquisition plans in the future?

A. Learned from our past experience, the Group has been very cautious in our expansion plans. In that regard, we do not perceive our acquisition plans made in the recent years being 'aggressive'. In fact, since 1997, all our investments made were well planned and carefully structured, and they all have been profitable. Our business strategy has been only taking a small stake in any new investment initially; we would only increase our stake if our investment decision proves to be correct. Therefore, our business expansion in the recent years has actually been gradual but certainly not aggressive. Our investments have all been made in line with our long-term goal of establishing a comprehensive network of container factories and depots along the major coastal port cities from north to south of the PRC. Our investment strategy has proved to be a success and we will continue this approach for our future investments.

4. What is the Group's future dividend policy?

A. The Group is still expanding and certain portion of our profit has to be retained to fund our expansion plans. Besides, it is one of our objectives for 2004 to pay down our bank borrowings and lower our gearing ratios. We realise the need to provide our shareholders a reasonable return for their investment made in our Company. Our Board of Directors' current guideline on dividend payout ratio is about 25 to 30 per cent. of the Group's consolidated net profit for a year.

5. How has the change in the price of steel affected the Group's container manufacturing business? Has the overall turnover been affected by the increase in container prices?

A. During the year, 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. 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 and as a result, we produced (including those produced by our associates and jointly controlled entities) 466,523 TEUs in 2003, an increase of 50.5 per cent. from 2002.

6. How will the reduction in the value-added tax ("VAT") refund affect the Group's performance in 2004? Apart from the expected increase in tax expenditures, will its impact on the PRC export volume affect the Group's businesses?

A. Since our products are exports, prior to 1st January, 2004, we were not required to pay any VAT. However, with effect from 1st January, 2004, the PRC government reduced the VAT refund rate by 4%; therefore, effectively, Singamas is now required to pay 4% VAT on locally sourced raw materials. Nevertheless, since we import majority of our raw materials, this VAT refund reduction should not have a material impact on us. Besides, our 'cost-plus' pricing strategy has effectively passed any cost increase due to this VAT refund reduction to customers. We do not see any major impact on our businesses from this new policy. Our order book is still healthy and our logistics businesses are still performing well after stepping into 2004.

7. How do the profit margins of specialised containers compare to those of conventional dry freight containers? Will the Group consider enlarging its product mix by manufacturing more specialised containers?

A. Due to less supply, specialised containers have higher margins than conventional dry freight containers. However, at the same time, specialised containers have much less demand. The Group has been proactively enlarging our product mix by producing new types of specialised containers, such as log carriers for railways, car racks and others. Nevertheless, they only account for a small portion of our container manufacturing's turnover as their respective demand is relatively low.

8. With the underperformance of the Hong Kong container depots, what plans does the Group have in mind to improve the situation? When are they most likely to breakeven and start contributing to the Group's profit?

A. We have implemented a series of remedial measures, including cutting down the depot size, terminating employees, reviewing overall operational flow to improve work efficiency and others during 2003 to reduce losses of our Hong Kong container depots. These measures began to take into effect by end of 2003 and we expect performance of our Hong Kong container depots would improve in 2004.

9. Does the Group have any plans to further extend its existing container factory and depot/terminal network to other parts of the region?

A. We have some plans in mind but they are still in their preliminary stage and nothing could be disclosed at the moment. We will make relevant announcements in due course as soon as our plans are materialised.

10. Given the vast business potential existing in the PRC logistics market, will the Group consider strengthening its logistics operations in the region?

A. As a matter of fact, we have been expanding the service scope of our container depots/terminals by providing more logistics related services to our customers to strengthen our logistics operations in the region. Shanghai Jifa, our container depot in Shanghai, has obtained the forwarding licence enabling this depot to perform freight forwarding services. Our other China depots are also in the process of applying for this licence. As we have already established a comprehensive container depot/terminal network along the major coastal ports of the PRC, the Group is well positioned to capture the vast business potential existing in the PRC logistics market.

11. Are there any plans to reduce the Group's gearing ratio?

A. Due to the consolidation of Shun An Da into the Group's accounts after it became a subsidiary of the Company with effect from 1st January, 2003, the Group's consolidated interest-bearing borrowings increased significantly from US$58.1 million of last year to this year's US$119.2 million. Accordingly, the gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over shareholders' funds, reached 1.14 (2002: 0.81) 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$44.5 million) over the shareholders' fund, increased to 0.72 (2002: 0.51).

Although the Group's gearing ratios increased substantially in 2003, we feel that they are still healthy and within the acceptable standards of this industry. Nevertheless, in an anticipation of rising interest rates in the near future, we will continue the following measures to lower our gearing ratios:

- to constantly review the credit terms offering to customers and if possible, shorten the credit period;
- to maintain a special task force to monitor and collect the outstanding receivable;
- to further tighten our credit control to ensure only customers with sound financial background would be given credit period;
- to constantly negotiate with suppliers for longer credit period; and
- to review and monitor our inventory status with the aim to maintain overall raw material level at the minimum.

Note: "A" means "Answer".