Chairman's Statement

Mr. Chang Yun Chung
Chairman

Mr. Teo Siong Seng
President & Chief Executive Officer

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 ("Singamas"/the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2004.

Singamas has been reporting profit growth for the last seven years and this year was no exception. The Group reported a consolidated turnover of US$532,793,000 for the year ended 31st December, 2004, an increase of 18.2 per cent. over that of last year. Consolidated net profit increased by 94.6 per cent. to US$39,636,000. Basic earnings per share reached US7.37 cents, comparing to US4.07 cents last year.

DIVIDEND

In view of these positive results, the Directors proposed to pay a final dividend of HK12 cents per ordinary share for the year ended 31st December, 2004 to members whose names appear on the Register of Members of the Company on 19th May, 2005. Together with the interim dividend of HK4 cents per share (2003: HK3 cents per share), total dividend for the year was HK16 cents per share (2003: HK9 cents per share). Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be sent to shareholders on or before 29th July, 2005. The register of members of the Company will be closed from Friday, 13th May, 2005 to Thursday, 19th May, 2005, both days inclusive, during which period no transfer of shares will be effected.

BUSINESS REVIEW

Riding on the continuous growth in worldwide container traffic especially the PRC booming export market, 2004 proved to be another good year for Singamas. With a GDP growth of 9.5 per cent. and trade surplus reaching six-year high in 2004, the PRC's demand for new containers remained high throughout the year. The phasing in of many new and bigger container vessels, increasing containerisation and the port congestion in North America and Europe also helped to push up demand for new containers.

To match the continuous growth in demand, Singamas increased both the production capacities and utilization rates of its manufacturing plants during the year. Acquisitions were also made to boost the container manufacturing and logistics operations, further strengthening our comprehensive network of container factories and depots that spans major coastal port cities of the PRC. In the meantime, by relocating manufacturing facilities and constructing new plants, the Group has expanded and enhanced its production scale, which allows it to satisfy the increasing demand arising from burgeoning export and container vessel delivery in the years ahead.

CONTAINER MANUFACTURING

As our core business and major growth driver, container manufacturing accounted for 93.5 per cent. of the Group's total turnover in 2004. Turnover for the year increased 19.9 per cent. reaching US$498,228,000, while profit before taxation and minority interests increased 79 per cent. to US$41,182,000. The increase in both turnover and profit was largely due to the rise in container prices and production volume, which was driven by the surging container demand and increasing material costs during the year.

The Group's maximum annual production capacity increased from 540,000 twenty-feet equivalent units ("TEUs") in 2003 to 640,000 TEUs in 2004 after Qingdao Pacific Container Co., Ltd. ("Qingdao Pacific"), a dry freight container factory, which is a jointly controlled entity of and 55% owned by Singamas, commenced full operation in January 2004.

Due to strong container demand, our capacity utilization reached 96.7 per cent. in 2004, much higher than the usual range of 75 to 80 per cent. Group production, including those produced by our associates and jointly controlled entities, reached 618,836 TEUs in 2004, an increase of 32.6 per cent. over 2003. We expect container demand will continue to be strong in the near future. To capture this business opportunity, we have upgraded some of our existing production facilities and our maximum annual production capacity will reach 850,000 TEUs in 2005.

Despite the PRC government's macroeconomic control measures to cool down overheated economic activities, raw material costs, in particular price of hot rolled Corten steel especially thin plate which is used in container manufacturing, continued to increase during the year due to tight supply and strong demand. Both steel and plywood costs are expected to remain high in the foreseeable future. Consequently, average container price for a 20-foot dry freight container was approximately 28 per cent. higher than those of 2003 and as raw material costs are expected to remain at this high level, we expect container prices will sustain at the current level.

Identifying profitable investment opportunities and consolidating business operations have always been Singamas' long-term development strategy. In view of the strong demand in the region, in May 2004, Singamas acquired the remaining 30 per cent. share of Guangdong Shun An Da Pacific Container Co., Ltd. ("Shun An Da"), making it a wholly-owned subsidiary of Singamas. Strategically located in Shunde, Guangdong Province, Shun An Da is the Group's principal dry freight container manufacturing plant in Southern China. In addition, Singamas is in the process of building a new plant in Eastern Guangdong Province to tap on the strong demand in the area. This new factory is expected to commence full operation by end of 2005.

To further increase production capacity and strengthen its delivery capability in Northern China, the Group plans to relocate Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific"), in which Singamas holds 90 per cent. equity interest, to a place that is bigger and nearer to the Tianjin port. By expanding and relocating this factory, transportation cost will reduce and maximum annual production capacity will increase from 50,000 TEUs to 120,000 TEUs. Construction is expected to complete in late 2005 and this factory is expected to commence full operation in January 2006.

All of the Group's manufacturing plants performed well in 2004. In light of the continuous export growth of the PRC and increasing worldwide container traffic, container manufacturing will continue to be the major growth driver of the Group. Singamas will continue to further strengthen and capitalise on its existing manufacturing network to enhance its competitiveness and capture the region's arising opportunities.

LOGISTICS SERVICES

CONTAINER DEPOTS / TERMINALS

During the year, the Group's container depots / terminals handled a total of 4,334,000 TEUs of containers with an average daily container storage of 116,000 TEUs. Total area and storage capacity amounted to about 1.2 million square metres and 160,000 TEUs, respectively. Turnover from this segment decreased by 17.4 per cent. to US$14,945,000 due to the deconsolidation of a subsidiary. On the other hand, profit before taxation and minority interests increased 15.9 per cent. to US$7,359,000.

The drop in turnover was mainly due to the deconsolidation of Xiamen Xiangyu Singamas Container Co., Ltd. ("XXSC"). In March 2004, Singamas Terminals (China) Limited ("STCL"), a wholly-owned subsidiary of Singamas, entered into a share transfer agreement (the "Agreement") with Xiamen Superchain Logistics Development Co., Ltd. ("Xiamen Superchain"), a container logistics company in Xiamen, and Xiamen Xiangyu Group Corporation. Pursuant to the Agreement, STCL transferred its 23 per cent. equity interest in XXSC, originally a 51 per cent. owned-subsidiary of STCL, to Xiamen Superchain in exchange for Xiamen Superchain's 6,990,000 new ordinary shares. Since then, STCL's shareholding in XXSC reduced to 28 per cent. and XXSC became an associate of the Group.

Container throughput at major PRC ports, where the Group's container depots/terminals are located, remained strong. Targeted mainly at domestic investments and overheated primary industries and investments, the PRC Government's macroeconomic control measures had minimal impact on the export market. Furthermore, as domestic raw material costs increased, many PRC manufacturers turned to overseas suppliers for raw materials to support their operations in the PRC, which resulted in rising import volumes. Throughput at major ports thus continued to rise during the reporting period and the Group's PRC container depots were able to benefit from this growth.

In line with the Group's development strategy, STCL entered into another share transfer agreement in December 2004 to acquire the remaining 40 per cent. equity interest in Tianjin Singamas Container Co., Ltd. ("TSC"). Upon completion of this transaction, TSC will become a wholly-owned subsidiary of the Group and we will be able to further develop its depot network and market coverage in the PRC.

Attributable to the effective cost cutting measures in place since early 2003, the Group's Hong Kong container depots managed to turnaround in 2004. Being an essential constituent of the Group's container depot network which extends from Northern PRC to Southeastern Asia, we will continue to enhance operating procedures and profitability of the Hong Kong depots.

MID-STREAM AND LOGISTICS

The strong throughputs at container depots / terminals and surge in PRC exports, which increased container traffic in the PRC, also benefited the Group's mid-stream and logistics services. Turnover and profit before taxation and minority interests for the mid-stream business amounted to US$19,620,000 and US$3,147,000 respectively, increased by 15.1 per cent. and 14.8 per cent. over the previous year. The Group's mid-stream operation handled 361,513 TEUs of containers in 2004, an increase of 9.3 per cent. over last year.

As part of the Group's long-term strategy is to become a total logistics company that offers a full range of container related services through investments and business consolidations, Singamas increased its effective equity interest in Xiamen Superchain from 6.83 per cent. to 14.02 per cent. under the Agreement entered into in March 2004. The move further enhanced our presence in the container logistics industry in the PRC. The Group believes that by gradually expanding the scope of its container related services, it will be able to capture more opportunities arising from the healthy growth of the PRC economy in the years ahead.

SHARE PLACEMENT

A Placing Agreement and a Subscription Agreement were entered into on 19th October, 2004. Pursuant to the Placing Agreement, a total of 88,811,000 existing shares held originally by Pacific International Lines (Private) Limited ("PIL"), the controlling shareholder of the Company, was placed to independent parties at the price of HK$3.93 per share ("Placing Price"). Pursuant to the Subscription Agreement, PIL subscribed for 88,811,000 new shares ("New Shares") issued by the Company at HK$3.81 per share, arrived at the equivalent of the Placing Price net of expenses related to the Placing and Subscription. Immediately after the completion of the Placing and Subscription, the issued share capital of the Company was enlarged by the allotment of the New Shares. As a result, PIL's shareholding interest in the Company at that time was diluted from approximately 55.38 per cent. to 47.33 per cent. of the issued share capital.

The net proceeds from the completion of the Placing and Subscription were approximately HK$338.5 million, which were largely intended to be used for expanding and relocating Tianjin Pacific and constructing a new dry freight container factory in Eastern Guangdong Province.

The good response from institutional investors, especially new ones in the United States and United Kingdom, and steady growth in share price and trading volume after the placing reflect the investment community's confidence in Singamas.

PROSPECTS

As global trade flow and demand for PRC manufactured goods continue to increase, demand for containers and logistics services will follow. According to market statistics, global container trade growth in 2005 is projected at around 10.3 per cent., and shipping capacity is expected to grow at above 10 per cent. in 2005 and about 12 to 14 per cent. in 2006, giving rise to steady demand for new containers.

Throughout the years, Singamas has been actively identifying profitable investment opportunities and undertaking business consolidations to prepare itself for the emerging PRC economy. Our consistent business strategy, favourable market environment and strong management team have been the main reasons for Singamas' success over the years. Looking ahead, we will continue to focus on strengthening our core business – container manufacturing – through more efficient use of our production facilities, factory relocation and establishment of new plants. With the relocation of Tianjin Pacific and construction of our new Guangdong plant underway, and on-going efforts to expand capacities of our current operations, we expect our maximum annual production capacity to reach 1.2 million TEUs by 2006. Riding on our solid development plans and comprehensive container factory and depot networks, we are confident that Singamas will be able to achieve continuous healthy growth in the years ahead.

ACKNOWLEDGMENT

On behalf of the Group, I would like to extend my sincere gratitude to our customers and business partners for their continuous support and guidance given to Singamas. I would also like to welcome Mr. Jin Xu Chu as our Executive Director. In addition, I would like to thank my fellow board members and colleagues for all their contributions and hard work over the past year. In the future, we will continue our commitment of achieving good results for the Group and bringing in promising returns for our shareholders.

Chang Yun Chung
Chairman

Hong Kong, 22nd March, 2005