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 ("Singamas" / the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2005.

Singamas achieved satisfactory results in 2005. The Group reported a consolidated revenue of US$842,936,000 for the year ended 31st December, 2005, 58.2 per cent. higher than last year. Consolidated net profit attributable to equity holders of the Company increased by 13.3 per cent. to US$44,899,000, which included a stock provision with bottom line effect of US$9,473,000 largely due to the sharp fall in steel prices from their peak in May 2005. Basic earnings per share was US7.35 cents, comparing to US7.37 cents last year.

DIVIDEND

The Directors proposed to pay a final dividend of HK9 cents per ordinary share for the year ended 31st December, 2005 to members whose names appear on the Register of Members of the Company on 18th May, 2006. Together with the interim dividend of HK9 cents (2004: HK4 cents per share), total dividend for the year was HK18 cents (2004: HK16 cents per share). Subject to approval at the forthcoming annual general meeting, the proposed final dividend will be paid to shareholders on or before 31st July, 2006. The register of members of the Company will be closed from Monday, 15th May, 2006 to Thursday, 18th May, 2006, both days inclusive, during which period no transfer of shares will be effected.

BUSINESS REVIEW

2005 was a challenging year for container manufacturers. Some customers, who expected port congestion problems in North America and Europe occurred in July 2004 to return earlier in 2005 and steel and container prices to go up further in 2005, placed heavy orders at end of 2004 and in first quarter 2005. Earlier port congestions, however, did not happen as anticipated. The over-ordering of containers by customers resulted in a mismatch of container demand and supply in 2005.

At the same time, steel prices started to drop after May 2005 with average steel prices closed at approximately US$450 per ton at end of 2005, compared to the peak of US$730 per ton for May 2005 deliveries. In view of declining steel prices, customers, especially many shipping lines, expected container selling prices to drop and accordingly, they deferred orders in second half 2005. Due to the drop in steel prices, the Company made a stock provision with bottom line effect of US$9,473,000 as at 31st December, 2005.

The uploading of orders by customers in first half 2005 coupled with the holding back of orders in second half 2005 resulted in a substantial drop in production and sales volumes in second half 2005. Despite the aforesaid unfavourable factors, the Group managed to register a 13.3 per cent. growth in consolidated net profit attributable to equity holders of the Company due primarily to:

- Average container selling price was 18.6 per cent. higher than that of 2004; and
- Certain cost rationalisation programs were implemented in 2005, which had lowered the overall operating costs of the Group.

After considering the cost-effectiveness of maintaining the Company's listing status on The Singapore Exchange Securities Trading Limited ("SGX-ST") and in view of the low trading volume of the Company's shares on the SGX-ST for the past five years, Singamas sought a voluntary delisting from the SGX-ST ("Delisting"). After the shareholders of the Company had approved the Delisting at an extraordinary general meeting held on 9th December, 2005, the shares of the Company were removed from the Official List of the SGX-ST at the close of trading on 27th December, 2005 and its shares were delisted on the SGX-ST on 5th January, 2006. After the Delisting, the shares of the Company continue to be listed and traded on The Stock Exchange of Hong Kong Limited ("HKEx").

Effective from 30th November, 2005, Singamas was included as a constituent stock of the Morgan Stanley Capital International Inc. ("MSCI") Hong Kong Small Cap Index Series in MSCI's Semi-Annual Index Review. Companies with a full market capitalisation between US$200 million and US$1,500 million and having the highest liquidity in respect of their listed securities relative to their market capitalisation are eligible for inclusion.

CONTAINER MANUFACTURING

Accounting for 96 per cent. of the Group's total revenue, container manufacturing continues to be the Group's core business with this segment's revenue reaching US$809,166,000, an increase of 62.4 per cent. over 2004. The increase was attributable to the revenue contributions from Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") and Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific") as well as the higher average container selling prices attained in 2005.

Shanghai Baoshan and Tianjin Pacific, in which the Group is holding 74 and 97 per cent. effective interests respectively, were formerly jointly controlled entities of the Group. With effect from 1st January, 2005 and 1st August, 2005 respectively after the Company had successfully renegotiated certain terms of the two respective joint venture agreements, the Company now has control over the two factories' board of directors; accordingly, Shanghai Baoshan and Tianjin Pacific became subsidiaries of the Group. Since 1st January, 2005 and 1st August, 2005 respectively, the accounts of Shanghai Baoshan and Tianjin Pacific have been fully consolidated with the Group's accounts.

Profit before taxation and minority interests rose 22.1 per cent. when compared with 2004 to US$49,378,000. The increase was largely due to higher average container selling prices and cost rationalisation programs implemented in 2005 to reduce overall operating costs of the Group.

2005 was an exceptional year for the container manufacturing industry. Unlike in previous years in which container demand was normally stronger in the second half of the year than the first half, container demand was extremely strong in first half 2005. As explained above, the wrong market anticipation of some customers resulted in a mismatch of demand and supply in 2005. Orders were uploaded in the first half 2005.

Corten steel is the major material used in container manufacturing. Tight steel supply pushed up steel prices in 2004 and up to May 2005. With the PRC Government continued its economic austerity measures for the second year, progress of the country's large-scale infrastructure projects slowed down significantly, thus easing tight steel supply. Steel prices began to drop in June 2005 and customers, with an anticipation of falling container selling prices due to declining steel prices, delayed orders during second half 2005. Accordingly, production and sales volumes of the Group fell by 45.9 per cent. and 8.2 per cent. respectively in second half 2005 compared to first half. Nevertheless, with sales of the year mostly from orders received at end of 2004 and first half 2005, average selling price of the year was still 18.6 per cent. higher than that in 2004.

After a series of efficiency enhancements and upgrading of the production facilities in early 2005, the Group increased its maximum annual production capacity to 850,000 twenty-foot equivalent units ("TEUs") from 640,000 TEUs in 2004. Soft container demand in the second half 2005 caused total production output and sales volume for the year to drop to 494,282 TEUs and 560,036 TEUs, respectively from last year's 618,836 TEUs and 574,520 TEUs.

With the steel prices levelling off and gradually increasing starting after the Chinese New Year holidays in 2006, the Group expects container prices to rebound in 2006 and new container demand to return. Based on the existing market conditions and trade pattern, the Group also expects the container industry to return to its normal seasonality with low season in the first and fourth quarters and peak season in the second and third quarters of the year.

According to market statistics, the phasing in of new and bigger container vessels is expected to peak in 2006 with a 16.1 per cent. growth in container shipping capacity. To capture this rising container demand, the Group will continue its expansion plan. Listed below are the latest developments of the current expansion projects:

- The relocation and expansion of Tianjin Pacific is expected to complete by mid-2006, with maximum annual production capacity to increase from 50,000 TEUs to 120,000 TEUs.

- Hui Zhou Pacific Container Co., Ltd. ("HPCL"), a new dry freight container factory located in Eastern Guangdong Province, the PRC with estimated maximum annual production capacity of 200,000 TEUs, is scheduled to begin commercial operations by mid-2006.

- Ningbo Pacific Container Co., Ltd. ("Ningbo Pacific"), a new dry freight container factory located in Ningbo, the PRC with estimated maximum annual production capacity of 100,000 TEUs, is expected to be in full operation by mid-2006.

After completion of its expansion plans, the Group's maximum annual production capacity is expected to increase to 1.25 million TEUs by mid-2006. For 2006, the effective maximum annual production capacity would be 1 million TEUs.

LOGISTICS SERVICES

During the year, the Group's container depots / terminals handled a total of 4.7 million TEUs of containers with an average daily container storage of 122,490 TEUs. Total yard area and container storage capacity amounted to about 1million square metres and 127,600 TEUs, respectively. Revenue from this segment increased by 23.8 per cent. over that in 2004 to US$18,501,000.

Continuous export and import growth of the PRC and increasing worldwide container traffic had been the forces bracing profitability of the segment. Exports of the country reached a record US$762 billion in 2005, up 28 per cent. from the previous year. Container throughputs at major PRC ports, where the Group's container depots/terminals are located, remained strong. The Chinese ports handled a total of 75.8 million TEUs of containers in 2005, 23 per cent. higher than that of the previous year. According to PRC Government forecast, container throughput of the country will increase from 61 million TEUs in 2004 to 149 million TEUs by 2010, representing a CAGR of about 15 per cent. The Group believes that its logistics business will continue to benefit from the growth in throughput levels of the PRC.

As for the mid-stream business, to lower overall costs and enhance profitability, the Group subcontracted out a portion of its mid-stream operations to third parties during the year. Revenue from this segment hence fell 22.2 per cent. to US$15,269,000 from last year.

Nevertheless, given the continuous growth of PRC trade and increasing containerisation of the country, the Group's logistics business remained profitable. Profit before taxation and minority interests for the container depots/terminals business and mid-stream business amounted to US$7,539,000 and US$3,234,000 respectively, increased by 9.7 per cent. and 2.8 per cent. over 2004. In 2005, the Group's mid-stream operation handled 329,260 TEUs of containers compared to 361,513 TEUs in 2004.

PROSPECTS

Looking ahead, container transportation is expected to continue to grow in 2006, translating into steady demand for new containers and logistics services. According to market estimates, new container vessels with 1.327 million TEUs of container shipping capacity will be delivered to shipping companies in 2006, equivalent to 16.5 per cent. of the total capacity of container vessels in 2005.

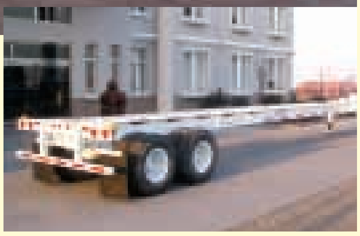
With large number of new container vessels to be delivered in the next few years, China's export trade is expected to remain strong. The replacement of old containers is expected to pick up from 2007/08 onwards when old containers at original cost of below US$1,800 per TEU are up for refurbishment. Given the relatively low container prices, replacing old containers at original cost below US$1,800 with new containers will be more cost effective than refurbishment. All these factors are giving rise to a steady demand for new containers. The business environment appears favourable for Singamas. While, in the short run, export volume may be affected slightly by the appreciation of the Renminbi, the impact is expected to be minimal as the revaluation has been modest and any further changes are expected to be introduced gradually.

Capitalising on the promising prospects of the container manufacturing industry, the Group has formed strategic alliances to strengthen its market position:

- On 15th February, 2006, Singamas entered into a memorandum of understanding ("MOU") with Mitsubishi Corporation ("Mitsubishi"), Japan's largest general trading house with operations in approximately 80 countries worldwide. Under the MOU, Mitsubishi expressed interest in business cooperation with Singamas in respect of HPCL. As Japan's largest general trading house with wide customer base over a number of different industries, the potential business cooperation with Mitsubishi is considered to be beneficial to the Group. Singamas and Mitsubishi could cooperate in selling and marketing of containers to be manufactured by HPCL and other Singamas' factories to specific customers in the Japanese market leveraging Mitsubishi's good business relations, and the Group can also expect to benefit from the synergy of Mitsubishi's existing trading, steel, shipbuilding and marine refrigerated container business and our operations.

- China Shipping Investment Co., Ltd., a subsidiary of China Shipping (Group) Company ("China Shipping Group") which is the world's sixth largest container shipping lines by shipping capacity, has reached agreement with the Company to acquire a 20 per cent. equity stake of Ningbo Pacific from Singamas at the consideration of approximately US$4.1 million. The partnership will allow both parties to tap the fast-growing Ningbo/Zhejiang market. China Shipping Group, being one of the top ten container shipping companies in the world, has been expanding and growing rapidly. This strategic alliance is expected to enhance Singamas' competitiveness in the market.

Singamas has successfully diversified its existing product lines to produce more higher value and sophisticated products:



- Manufacturing of two new products, U.S. domestic containers (45-foot, 48-foot and 53-foot containers) and chassis, has begun in 2006 at the Group's Qingdao plant. The two new products are mainly designed to cater for the North American domestic market as 53-foot is the maximum length for a standard size of container in the U.S. intermodal market allowable for land transportation in U.S., Canada and Mexico.

- After a detailed market study in 2005, Singamas found that there is a need for a new tank container builder in Asia. We have teamed up with Flax Field Trading B.V. ("FFT") of Holland, a group having many years of experience in design, manufacturing, engineering support, marketing and after sales service of tank container. FFT will assist Singamas to put up a specialised facility at our plant in Shunde with the latest design and equipment to produce quality tank container with proper training, strong engineering and design backup. Production is expected to commence at the end of 2006.

Besides continuing to focus on strengthening our core business – container manufacturing – by further enhancing our existing production facilities and expanding our manufacturing network to maximise production capacity, the Group is also introducing new products to enlarge its product mix and customer base. Continuing its proven business strategy, Singamas will strengthen its container manufacturing/depot and marketing networks to enhance its competitiveness and capture the vast opportunities in the years ahead.

ACKNOWLEDGEMENT

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 to Singamas. I would also like to thank my fellow board members and colleagues for 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 promising returns to our shareholders.

Chang Yun Chung
Chairman

Hong Kong, 20th March, 2006