

Report of the Directors

The directors ("Directors") of the Singamas Container Holdings Limited ("Singamas" / "The Company") have pleasure in submitting to the shareholders their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries, associates and jointly controlled entities. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 20, 22 and 23, respectively to the financial statements.

An analysis of the Group's revenue and contribution to profit before taxation for the year ended 31st December, 2005 by principal activity is as follows:

ANALYSIS BY PRINCIPAL ACTIVITY

	Revenue	Contribution to profit
	US\$'000	before taxation
		US\$'000
Container manufacturing	809,166	48,572
Logistics services		
Container depot/terminal	18,501	5,604
Mid-stream	15,269	3,228
	<u>842,936</u>	<u>57,404</u>
Finance costs		(9,330)
Investment income		1,186
Share of results of associates		1,208
Share of results of jointly controlled entities		9,683
Profit before taxation		<u>60,151</u>

Report of the Directors (Continued)

An analysis of the Group's revenue for the year ended 31st December, 2005 by geographical market is as follows:

ANALYSIS BY GEOGRAPHICAL MARKET

	Revenue
	US\$'000
Europe	289,122
United States	181,071
Hong Kong	167,704
People's Republic of China ("PRC") (other than Hong Kong and Taiwan)	84,404
Korea	39,767
Taiwan	26,978
Others	53,890
	<hr/> 842,936

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 52.

The Directors recommended the payment of a final dividend of HK9 cents per share (2004: HK12 cents per share). Together with the interim dividend of HK9 cents per share (2004: HK4 cents per share), total dividend for the year was HK18 cents (2004: HK16 cents). Subject to approval at the forthcoming annual general meeting, the proposed final dividend is payable on or before 31st July, 2006 to those shareholders whose names appear on the register of members of the Company on Thursday, 18th May, 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.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 121 to 122.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 34 to the financial statements respectively.

Report of the Directors (Continued)

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 17 to the financial statements.

PARTICULARS OF PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars regarding the principal subsidiaries, associates and jointly controlled entities of the Company are set out in notes 20, 22 and 23, respectively to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2005, the Group had bank balances and cash of US\$102,604,000 (2004: US\$69,466,000) and total interest-bearing borrowings of US\$158,402,000 (2004: US\$108,437,000). This represented a gearing ratio, calculated on the basis of the Group's total interest-bearing borrowings over equity attributable to equity holders of the Company, of 0.73 (2004: 0.6) 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\$102,604,000) over equity attributable to equity holders of the Company, of 0.26 (2004: 0.22). The Company used the US\$43.4 million net proceeds raised from a share placement concluded in October 2004 to repay some of its outstanding working loans, which reduced the Group's total interest-bearing borrowings as at 31st December, 2004. Besides, following certain amendments to the terms of the relevant joint venture agreements of Shanghai Baoshan Pacific Container Co., Ltd. ("Shanghai Baoshan") and Tianjin Pacific Container Co., Ltd. ("Tianjin Pacific"), two former jointly controlled entities of the Group, Shanghai Baoshan and Tianjin Pacific have become subsidiaries of the Group since 1st January, 2005 and 1st August, 2005, respectively. The consolidation of the liabilities of Shanghai Baoshan and Tianjin Pacific increased the Group's total interest-bearing borrowings of 2005. The interest coverage ratio of the Group's profit before interest, tax, depreciation and amortisation (EBITDA) to total net interest expense was 9.5 times in 2005, compared to 15.78 times in 2004.

TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The Group's revenues are mostly transacted in US\$ and maintain cash balances mainly in US\$, same is true for its machinery and raw material purchases. To a much lesser extent some operating expenses are transacted in other currencies including Hong Kong dollars, Chinese Renminbi ("RMB") and Indonesian Rupiah. The majority of the Group's borrowings, approximately 96.1 per cent. of the total as at 31st December, 2005 was in US\$ with the balance in RMB. This policy adheres to the Group's principle to match its revenue stream with borrowings in same currency to minimise currency exposure.

Report of the Directors (Continued)

A large portion of the Group's borrowings is arranged on a short term revolving basis for the financing of the Group's daily working capital requirements. Of the total borrowings as at year end date, the maturity profile spread over a period of five years with US\$48,015,000 repayable within one year and US\$110,387,000 within two to five years. The Group's borrowings are principally on a floating rate basis. As at 31st December, 2005, the Company has outstanding interest rate swap with its notional amount of US\$50 million (2004: US\$40 million) to hedge against the floating rate interest risk for a term loan granted for the financing of various business acquisitions of the Company.

BANK BORROWINGS

Details of bank borrowings of the Group and the Company are set out in note 35 to the financial statements. No interest was capitalised by the Group during the year.

ACQUISITIONS

During 2005, the Group made the following acquisitions or investments:

- established a dry freight and specialised container manufacturing factory with an estimated maximum annual production capacity of 100,000 TEUs in Yin Zhou, Ningbo, the PRC by forming Ningbo Pacific Container Co., Ltd. ("Ningbo Pacific"), a wholly owned-subsiary of the Company, at an investment cost of US\$20 million;
- established a container chassis manufacturing factory in Qingdao, the PRC by forming Qingdao Singamas Industrial Vehicle Co., Ltd. ("Qingdao Singamas"); and
- established a dry freight container factory with estimated maximum annual production capacity of 200,000 TEUs in Hui Zhou, Guangdong Province, the PRC by forming Hui Zhou Pacific Container Co., Ltd. ("Hui Zhou Pacific"), a wholly owned-subsiary of the Company, at an investment cost of US\$40 million.

As at the date of this Annual Report, all investments were fully paid up.

These investments were financed internally and by bank borrowings on a medium term committed basis.

CONNECTED TRANSACTION

On 29th September, 2005, the Company entered into a joint venture agreement (“Agreement”) with Hiking Group Co., Ltd. (“Hiking Group”) to form Qingdao Singamas, a sino-foreign equity joint venture enterprise to be engaged in the business of container chassis manufacturing and is located in Qingdao, the PRC. The Company and Hiking Group agreed to acquire 49.5 per cent. and 50.5 per cent. equity interests in Qingdao Singamas, respectively. Under the Agreement, the total investment cost of Qingdao Singamas is RMB20 million, which is equivalent to the registered and paid-up capital of Qingdao Singamas. The consideration paid by the Company for its 49.5 per cent. equity interest amounted RMB9.9 million, which has been funded by internal resources of the Group. In view that Hiking Group was a substantial shareholder of Qingdao Pacific Container Co., Ltd. (“Qingdao Pacific”), a 55 per cent. owned jointly controlled entity of the Company, holding 45 per cent. equity interest in Qingdao Pacific, Hiking Group was a connected person and the entering into the Agreement constituted a connected transaction under the Listing Rules. Details of this connected transaction have been disclosed by way of a press notice in compliance with the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“HKEx”).

CONTINUING CONNECTED TRANSACTIONS

On 12th January, 2005, Singamas Terminals (Hong Kong) Limited (“STHK”), a company engaged in the business of provision of mid-stream services and a wholly owned subsidiary of the Company, entered into a terminal agreement (the “Terminal Agreement”) with Pacific International Lines (H.K.) Limited (“PILHK”) to take effect retrospectively from 1st January, 2005, for a term of three years. PILHK, a company in which Messrs. Chang Yun Chung, Teo Siong Seng and Teo Tiou Seng, directors and shareholders of Pacific International Lines (Private) Limited (“PIL”), have beneficial interests, is an associate of PIL, the controlling and substantial shareholder of the Company, as defined under the Listing Rules. The Terminal Agreement involves transactions, which occur on a recurring basis over a period of time; therefore, the transactions constitute continuing connected transactions of the Company under the Listing Rules and will normally subject to the requirements of reporting, announcement and independent shareholders’ approval under the Listing Rules.

It is estimated that the amount of STHK’s transactions with PILHK, on annual basis, for the three years commencing 1st January, 2005 would exceed 1 per cent. threshold in Rules 14A.31(7) but would not exceed 2.5 per cent. for each of the percentage ratios, other than the profits ratio, in the threshold tests in Rule 14A.34 of the Listing Rules. Accordingly, the transactions are only subject to the reporting and announcement requirements of the Listing Rules and are exempt from the independent shareholders’ approval requirements. Details of these continuing connected transactions have been disclosed by way of a press notice in compliance with the Listing Rules.

Report of the Directors (Continued)

The independent non-executive Directors have reviewed the above continuing connected transactions and are in the opinion that:–

- (1) such continuing connected transactions have been and are entered into in the ordinary and usual course of business of the Group, conducted on normal commercial terms and entered into in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole and on terms no less favourable than those available to or from independent third parties; and
- (2) the total amount of such transactions for the year ended 31st December, 2005 did not exceed the annual cap of HK\$58 million.

Pursuant to Rule 14A.38, the Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have issued a letter to the Directors in relation to the compliance of the conditions prescribed in the Listing Rules in respect of the continuing connected transactions as mentioned above.

VOLUNTARY DELISTING FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Reference is made to the announcements dated 13th October, 2005, 10th November, 2005, 16th November, 2005, 9th December, 2005 and 5th January, 2006 and the circular dated 16th November, 2005 of the Company, respectively in respect of a voluntary delisting of the Company from the Official List of The Singapore Exchange Securities Trading Limited (“SGX-ST”) pursuant to Rule 1306 of the SGX-ST Listing Manual (“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 the shares of the Company 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 HKEx.

CHARGES ON ASSETS

As at 31st December, 2005, certain assets of the Group with aggregate carrying value of US\$6,062,000 (2004: US\$13,216,000) were pledged as securities for credit facilities granted by banks to subsidiaries in the PRC.

CONTINGENT LIABILITIES

During 2005, the Company provided guarantees to banks as securities for bank facilities granted to certain subsidiaries and jointly controlled entities in the PRC. As at 31st December, 2005, total amount of bank facilities of which guarantees were provided, utilised by the jointly controlled entities was US\$10,000,000.

SHARE CAPITAL

Details of share capital are set out in note 33 to the financial statements.

Report of the Directors (Continued)

CORPORATE GOVERNANCE

The Company committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Code on Corporate Governance Practices (“the Code”) during the year ended 31st December, 2005.

Further information on the Company’s corporate governance practices is set out in the “Corporate Governance Report”, “Audit Committee Report” and “Remuneration Committee Report”.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this Annual Report, the required standard set out in the Model Code and its code of conduct regarding directors’ securities transaction.

DIRECTORS

The Directors during the year and up to the date of this Annual Report are:

Mr. Chang Yun Chung (*also known as Mr. Teo Woon Tiong*)

Mr. Teo Siong Seng

Mr. Hsueh Chao En

Mr. Jin Xu Chu

Mr. Teo Tiou Seng

Mr. Kuan Kim Kin[#]

Mr. Ngan Man Kit, Alexander^{*}

Mr. Ong Ka Thai^{*}

Mr. Soh Kim Soon^{*}

^{*} *Independent Non-executive Director*

[#] *Non-executive Director*

In accordance with the provisions of the Company’s articles of association, every director not being a managing director shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. A director so appointed as to the office of managing director, shall be subject to retirement by rotation at least once every three years but shall be eligible for re-election.

The term of office for independent non-executive directors of the Company is for a year and is subject to retirement and re-election at the annual general meeting in accordance with the Company’s articles of association.

The Company has received annual confirmation of independence from Mr. Ngan Man Kit, Alexander, Mr. Ong Ka Thai and Mr. Soh Kim Soon and considered them as independent.

Report of the Directors (Continued)

DIRECTORS' INTERESTS

As at 31st December, 2005, the interests or short positions of the Directors in the shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required notification to the Company and HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to Model Code contained in the Listing Rules, to be notified to the Company and HKEx were as follows:

Name	Capacity	Number of Ordinary Shares of HK\$0.10 Each		Percentage of Issued Shares
		Personal Interest	Corporate Interest	
Mr. Chang Yun Chung	Beneficial Owner	–	303,088,178 (note)	49.59
Mr. Teo Siong Seng	Beneficial Owner	13,234,000	–	2.17

Note: These shares are held by PIL in which Mr. Chang Yun Chung is interested in aggregate, in 165,600,000 shares representing 89.61 per cent. of the issued share capital of PIL. Mr. Chang Yun Chung's interest in shares of PIL comprises a personal interest in 26,425,000 shares and corporate interests in 58,500,000 shares through South Pacific International Holdings Limited, a company in which he holds 1.87 per cent. of the issued share capital and 80,675,000 shares through Y. C. Chang & Sons Private Limited, a company in which he holds 2.86 per cent. of the issued share capital. Messrs. Teo Siong Seng and Teo Tiou Seng, directors of the Company, both of their interests in shares of PIL comprise personal interests in 1,200,000 shares and 800,000 shares respectively and representing 0.65 per cent. and 0.43 per cent. of the issued share capital of PIL.

The Company does not have any share option scheme.

Other than those disclosed in note 42 to the financial statements (which were approved by the independent non-executive Directors and in the opinion of the Directors were carried out on normal commercial terms and in ordinary course of the Group's business), no contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors (Continued)

Save as disclosed above, none of Directors, nor their associates, had any other interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required notification to the Company and HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company or HKEx; and none of the Directors, nor their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2005, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any Director, the following persons (other than the interests of certain Directors disclosed under the section headed "Directors' Interests" above), had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Notes	Number of Ordinary Shares of HK\$0.10 Each		Percentage of Total Issued Shares
		Direct Interest	Indirect Interest	
Madam Lee Kheng Wah	(1)	–	303,088,178 (L) [#]	49.59
PIL	(2)	303,088,178 (L) [#]	–	49.59
Y.C. Chang & Sons Private Limited	(3)	–	303,088,178 (L) [#]	49.59

[#] (L) – Long Position

Notes:

- (1) Madam Lee Kheng Wah, as the spouse of Mr. Chang Yun Chung, is deemed to be interested in these shares.
- (2) A full explanation of these shares is disclosed under the section headed "Directors' Interests" above.
- (3) As Y.C. Chang & Sons Private Limited directly controls one-third or more of the voting rights in the shareholders' meeting of PIL, in accordance with SFO, Y.C. Chang & Sons Private Limited is deemed to be interested in PIL's interests in the Company's issued shares.

Save as disclosed above, there was no other person known to the Directors, other than the Directors, who, as at 31st December, 2005, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors (Continued)

DIRECTORS' SERVICE AGREEMENT

Mr. Teo Siong Seng has entered into a service agreement with the Company. Unless terminated by cause, the service agreement is valid for an initial term of three years which commenced on 1st January, 2005. Thereafter, the service agreement is valid for a further three years, unless terminated by either party giving at least three months' notice. As 31st December, 2005, no other Directors or proposed directors had any existing service contract or proposed service contract with the Company or any of its subsidiaries which is not terminable by the Company within one year without payment of compensation.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

	Percentage
Percentage of purchases attributable to the Group's largest supplier	15.9
Percentage of purchases attributable to the Group's five largest suppliers	31.9
Percentage of sales attributable to the Group's largest customer	11.2
Percentage of sales attributable to the Group's five largest customers	35.2

During the year, none of the Directors or their associates or any shareholder (which to the knowledge of the Directors own more than 5 per cent. of the Company's share capital) had an interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

RETIREMENT BENEFIT SCHEMES

Details of the Retirement Benefit Schemes are set out in note 13 to the financial statements.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT EXECUTIVES

Brief biographical details of the Directors and senior management executives of the Company are set out on pages 18 to 20 under the Directors and Senior Management Profile section of this Annual Report.

Report of the Directors (Continued)

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31st December, 2005, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed 6,580 (2004: 5,492) full-time employees. Staff costs (including Directors' emoluments) amounted to US\$36.6 million (2004: US\$24.8 million) for the year. All full-time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus. Factory workers are being remunerated based on a basic wage plus production incentive. The Group ensures that the pay levels of its employees are competitive and employees are awarded on a performance related basis within the general framework of the Group's salary and bonus system. To further enhance the capability of its human resource, the Group provides on-the-job training to its employees.

Other than the subsidiaries in the PRC, neither the Company nor any of its other subsidiaries has established labour union. The Company and its subsidiaries, however, are not subject to any collective agreements. The Group has maintained good relationships with its employees. None of the Group's employees is represented by a labour union.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25 per cent. of the Company's total issued share capital was held by the public as at the date of this Annual Report.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 20th May, 2005, the Company has entered into a facility agreement (the "Facility Agreement") with a syndicate of banks in respect of the US\$100,000,000 term loan and revolving credit facilities ("Facility") for a term of five years for the purposes of refinancing the US\$40,000,000 term loan and revolving credit facilities provided to the Company under a facility agreement dated 30th September, 2003 between the Company and a group of financial institutions named therein and funding certain business acquisitions and the working capital requirements of the Group. The Facility Agreement includes conditions to the effect that PIL, a substantial and controlling shareholder of the Company, continues to be the controlling shareholder (as defined in the Listing Rules) and the single largest beneficial shareholder of the Company. A breach of the above conditions will constitute an event of default under the Facility Agreement. If such an event of default occurs, all amounts outstanding under the Facility may become immediately due and payable. This disclosure is made in accordance with the continuing disclosure requirement under the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

On 17th November, 2004, the Company made an announcement pursuant to Rule 13.22 and Chapter 14 of the Listing Rules with respect to the provision of corporate guarantees up to a maximum liability of US\$103,662,000 given, on a joint and several basis, for banking facilities ("Banking Facilities") of Qingdao Pacific, Shanghai Baoshan, Tianjin Pacific and Xiamen Pacific Container Manufacturing Co., Ltd. ("Xiamen Pacific"), at that time the jointly controlled entities of the Group and were treated as affiliated companies of the Company under the Listing Rules.

Report of the Directors (Continued)

With effect from 1st January, 2005 and 1st August, 2005 respectively, Shanghai Baoshan and Tianjin Pacific have become subsidiaries of the Group and no longer considered affiliated companies under the Listing Rules. As at 31st December, 2005, Banking Facilities utilized by Qingdao Pacific and Xiamen Pacific, two remaining affiliated companies, totalled US\$10,000,000 (31st December, 2004: US\$50,811,000).

As at 31st December, 2005, guarantees in the total amount of US\$21,000,000 (31st December, 2004: US\$103,662,000) given for Banking Facilities granted to its affiliated companies by the Company represented approximately 6.8 per cent. of the Company's market capitalisation, which amounted to approximately HK\$2,399,072,883 based on the average closing price of HK\$3.925 per share for the five business days immediate preceding 31st December, 2005.

The combined balance sheet of the affiliated companies as at 31st December, 2005, which includes the assets and liabilities of the aforesaid two jointly controlled entities, is as follows:

	US\$'000
Non-current assets	62,589
Current assets	123,689
Current liabilities	(74,461)
Net current assets	49,228
Non-current liabilities	(485)
Minority interests	(68,486)
Attributable interest of the Group	42,846

AUDITORS

A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chang Yun Chung
Chairman

Hong Kong, 20th March, 2006