

Singamas Container Holdings Limited

(incorporated in HK with Limited Liability)

Website: www.singamas.com

(Stock Code: 00716.hk)

SINGAMAS

REALISING VALUE FROM GROWTH

2014 Annual Results Announcement

23 March 2015



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Agenda

- Corporate Profile
- Industry Dynamics
- Financial Review
- Business Review
- Future Plans
- Appendix
 - Consolidated income statements
 - Singamas' competitive factory & depot network
 - General concepts of container business

SINGAMAS



Corporate Profile



- ➔ Singamas Container Holdings Limited (“Singamas” or “the Company”) is **the world’s second largest container manufacturer** and a major operator of container depots and terminals in the Asian-Pacific region.
- ➔ The Company has been listed on the Hong Kong Stock Exchange since 1993.

Manufacturing Business

- ➔ Singamas manufactures a wide range of products including dry freight containers and specialised containers.
- ➔ 12 factories are located in the PRC, with a total annual capacity of around 1.1 mil TEUs¹ of dry and specialised containers (based on one extended shift) and 5,000 units of offshore containers.

Logistics Business

- ➔ Its logistics business includes container depots/terminals and a logistics company.
- ➔ 11 container depots/terminals, 8 at the major ports in the PRC, 2 in Hong Kong and 1 in Thailand.
- ➔ 1 logistics company in Xiamen.

Notes:

1. TEU stands for *Twenty-foot Equivalent Unit*, a standard unit of measurement used for container transportation.

Dry Freight Container Industry Dynamics



- ➔ Dry Freight Container demand is driven by trade / export volumes, not freight rates.
- ➔ Traditionally, demand is seasonal in line with export and trade pattern - Q2-Q3 are peak seasons. However, this seasonality trend was not so obvious in these few years.
- ➔ Materials cost is the major determinant of container price – use cost-plus pricing model to set selling price.
- ➔ Corten steel, a high-grade hot-rolled steel product, accounts for 49% of total dry freight container production costs in 2014.
- ➔ Direct labour cost is increasing, it accounts for 6.4% of total production costs in 2014 vs 5.5% in 2013.
- ➔ Size of current container fleet worldwide by end 2014 is estimated to be 36.4 million TEUs, supporting 18.4 million TEUs of shipping capacity. (Container fleet size by end 2013 was estimated to be 34.5 million TEUs, supporting 17.27 million TEUs of shipping capacity.)

Specialised Container Industry Dynamics

- Specialised container production has higher entry barrier and is less competitive. It normally enjoys higher margins than the standard dry freight container and the demand seasonality is not obvious.
- Specialised containers include 53' US domestic, refrigerated, tank, offshore, open top and other non-dry freight containers.
- Increase in demand of 53' US domestic containers due to the replacement of aluminium made boxes and the steady growth in US economy.
- Decrease in refrigerated container price due to lower material cost and increase in market supply even though demand is good.

53' US Domestic Container



Refrigerated Container



Tank Container



Open-top Container



Offshore Container



Specialised Container Industry Dynamics



Platform Container



Open-side Container



Log Carriers



Singatech (Flatrack) Container



Bitutainer



Gas Pack Container



General Container



Bulk Container



Lubentainer



Half-height Container



20' Waste Container



45' Container



Continuous and sustainable improvement in management



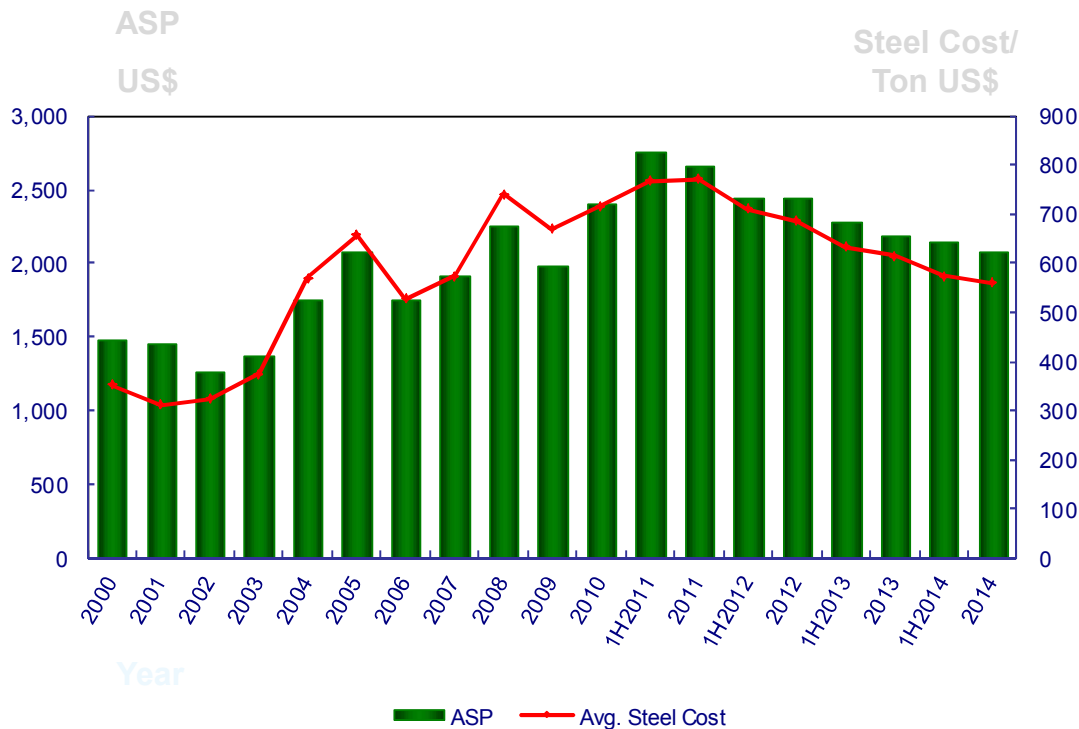
To improve the overall quality management and environmental management, the management office in Shanghai and all the factories in PRC obtained ISO9001 and ISO14001 in November 2014.



Container Prices vs. Steel Prices



2000 – 2014 20ft. Dry Freight Container¹ Price (ASP²) vs. Average Steel Cost Per Ton



- 2014 ASP of 20ft dry freight container fell to US\$2,086, 5% lower than 2013's US\$2,195 .
- The drop reflected the decline in raw material prices, particularly corten steel price.
- 2014 average steel cost was US\$560/ton (2013: US\$616/ton).

Note:

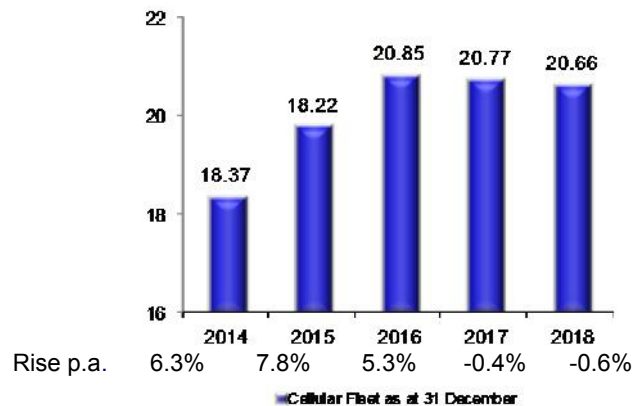
1. one 20' container normally requires 1.8 tons (including wastage) of steel.
2. ASP stands for average selling price of Singamas.

Container Shipping Fleet Projections 2015-2017

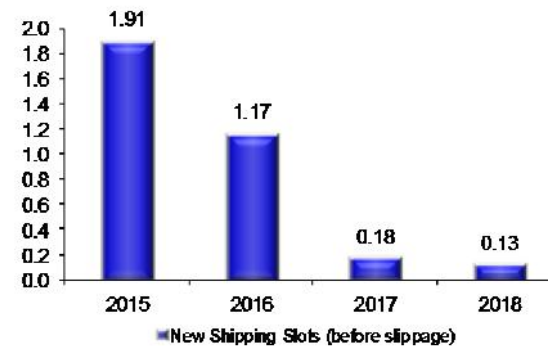


- In normal circumstances, the box to TEU slot ratio is 2x.
- That is, for every one new shipping slot, approximately 2 TEUs of new containers would be required.
- Shipping capacity projected to grow steadily from 18.37 million TEUs in December 2014 to 20.77 million TEUs by December 2017 (CAGR: 4.18%).
- New shipping slots are expected to reach the peak of 1.91 million TEUs in 2015.
- Among new vessels to be delivered in the coming three years, 125 vessels are with capacity of more than 10,000 TEUs, total shipping slots for these 125 vessels reached 1.84 million TEUs, representing more than half of the new capacity.

Shipping Capacity (in mil of TEUs)



New Shipping Slots (in mil of TEUs)



Note: Based on order book as at 1 January 2015 and assuming no ships are deleted after that date (other than those planned). Forecast figures take into account delivery deferrals and slippage. Expected fleet size after provision for future scrappings and delivery slippage is based on the following assumptions:

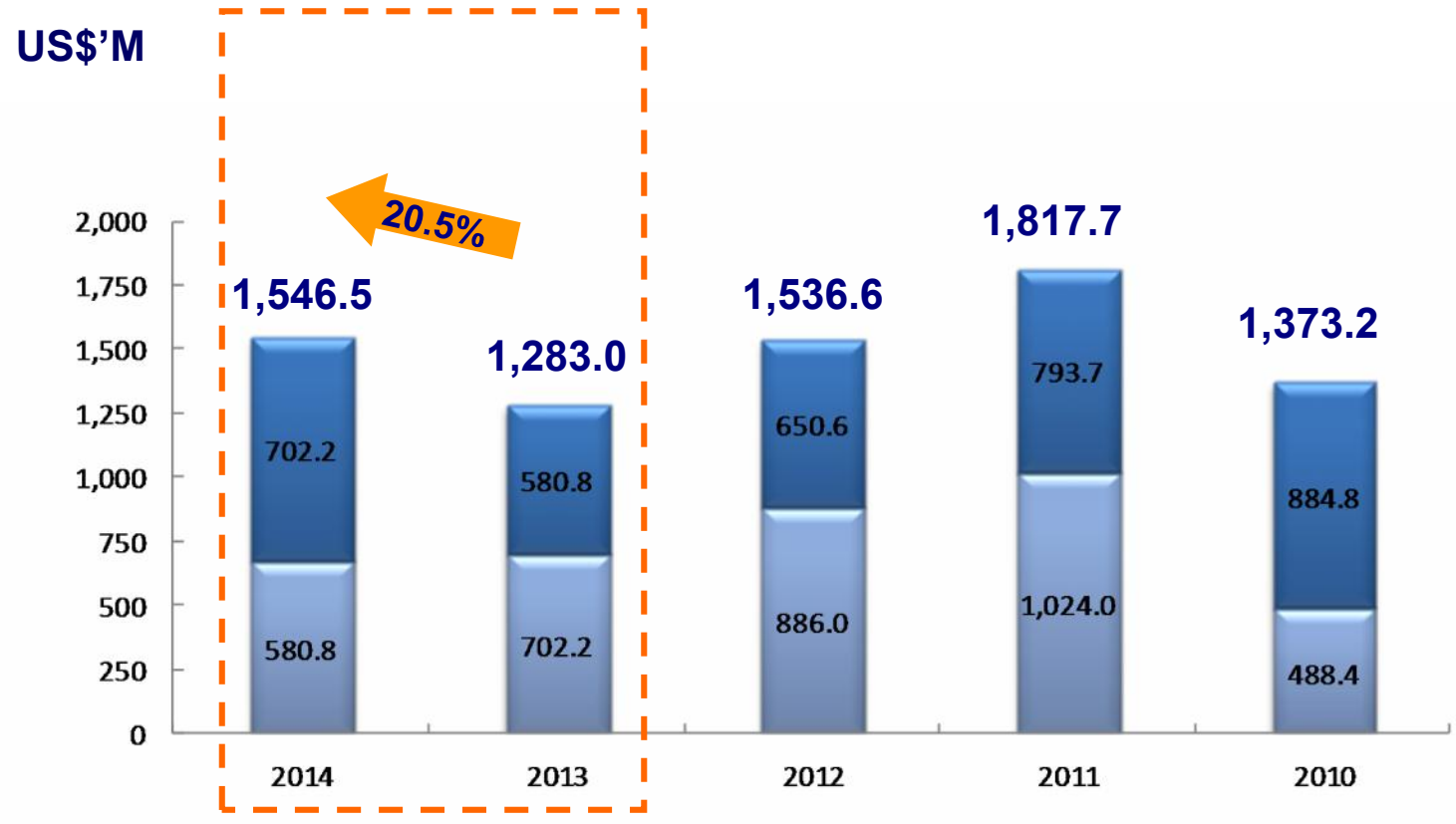
- Slippage: 25 ships for 120,000 TEUs planned for delivery in 2015 are assumed to be delayed to the following year; and*
- Scrappings and de-ceilings are estimated to reach 350,000 TEUs in 2015 and 250,000 TEUs in 2016-2017.*

Source: AXS-Alphaliner is a worldwide reference in liner shipping intelligence.

2014 FINANCIAL REVIEW



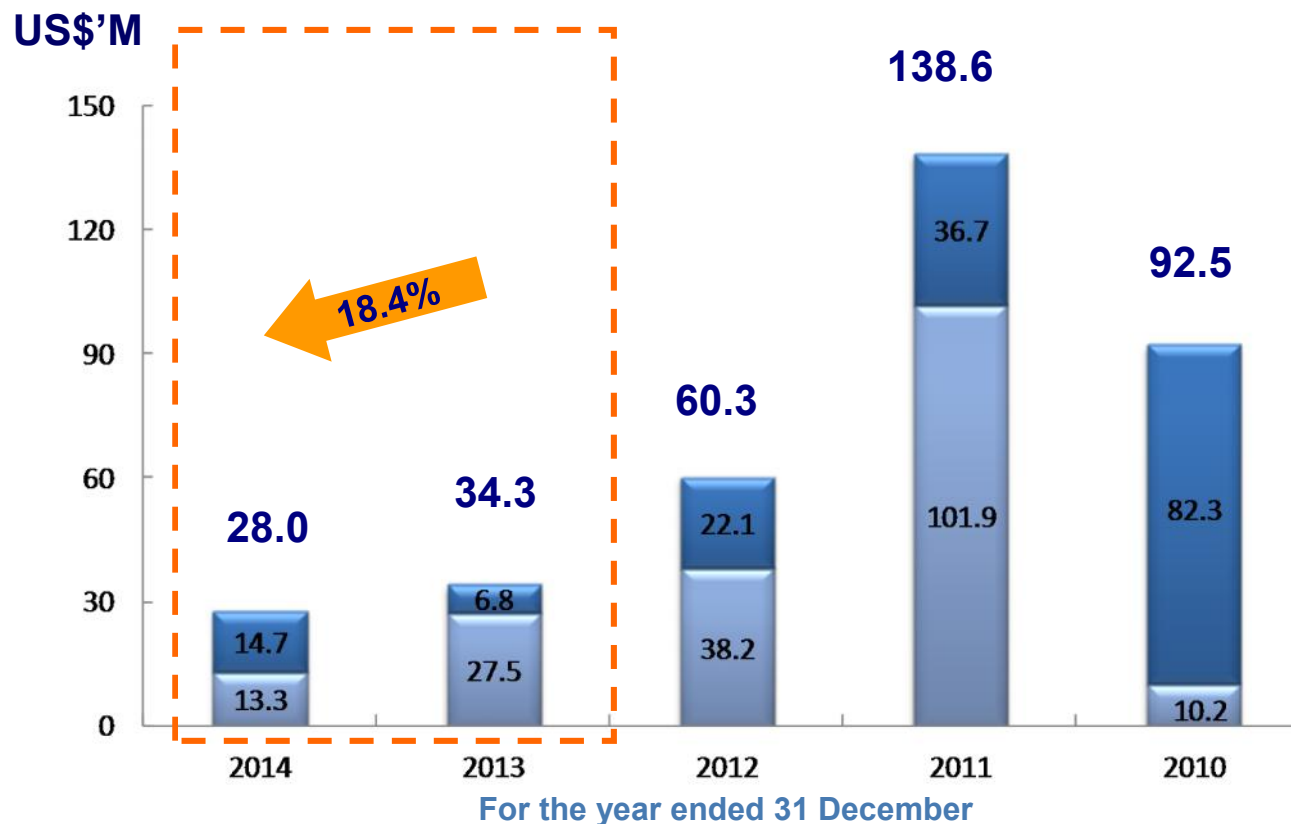
Financial Review: Revenue



For the year ended 31 December

- Consolidated revenue amounted to US\$1,546.5 million, an increase of 20.5% over the revenue of US\$1,283 million in 2013.
- Due to improved demand for new containers owing to growth in global trade.

Financial Review: Consolidated Net Profit Attributable to Owners of the Company

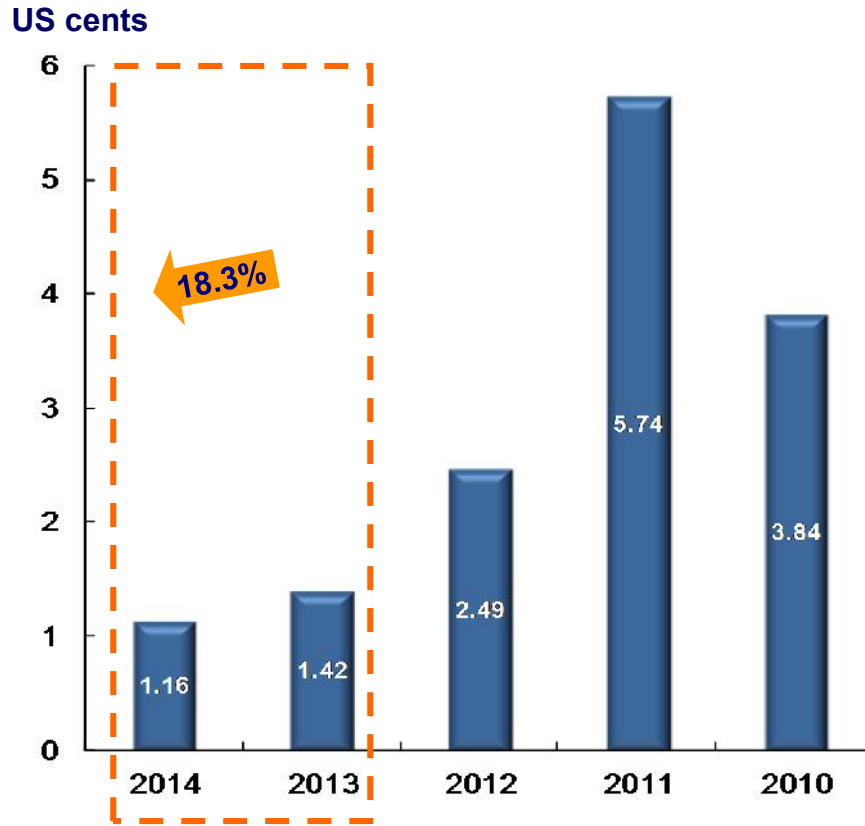


- Consolidated net profit attributable to owners of the Company recorded US\$28.0 million (2013: US\$34.3 million). The decrease was due to decline in average selling price. Besides, the Group had recognised a non-recurring gain of US\$11.3 million (after tax) on disposal of subsidiaries in 2013. If excluding this one-off gain, net profit attributable to owners of the Company in 2014 was 22% higher than that of 2013.

Financial Review:

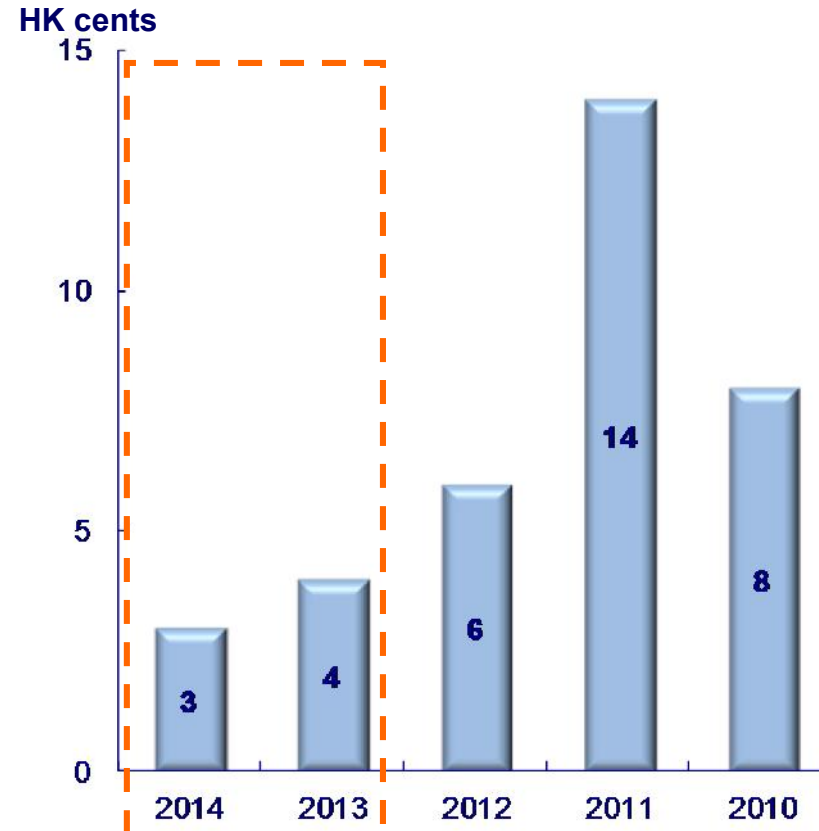


Basic Earnings (Loss) per Share



For the year ended 31 December

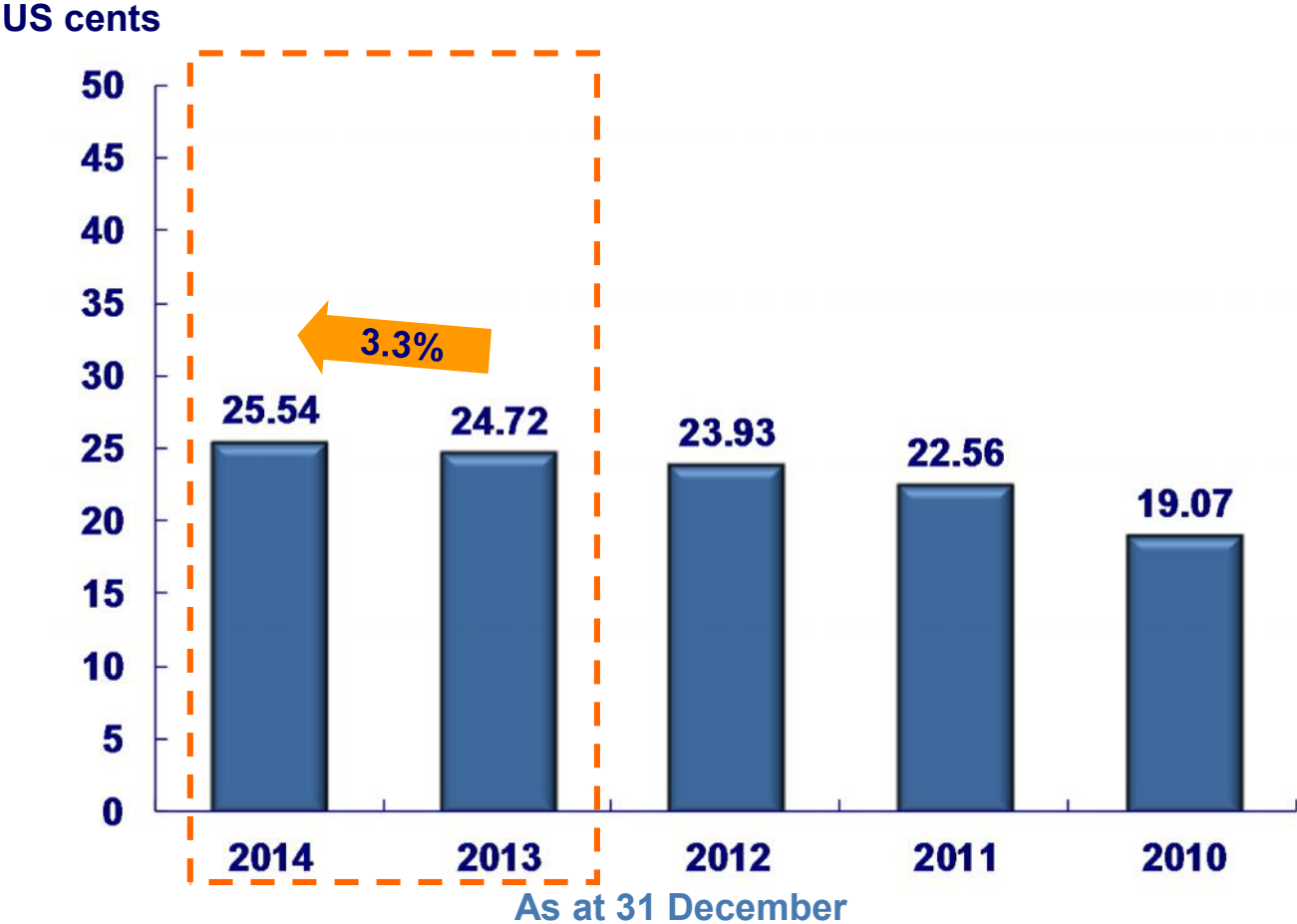
Dividend per Share



For the year ended 31 December

- Basic earnings per share recorded US1.16 cents (2013: US1.42 cents).
- Proposed to pay a final dividend of HK1.5 cents per ordinary share, together with the interim dividend of HK1.5 cents, total dividend for 2014 amounting to HK3 cents per ordinary share (2013: HK4 cents), representing a dividend payout of 33.4% (2013: 36.4%).

Financial Review: Net Assets Value per Share



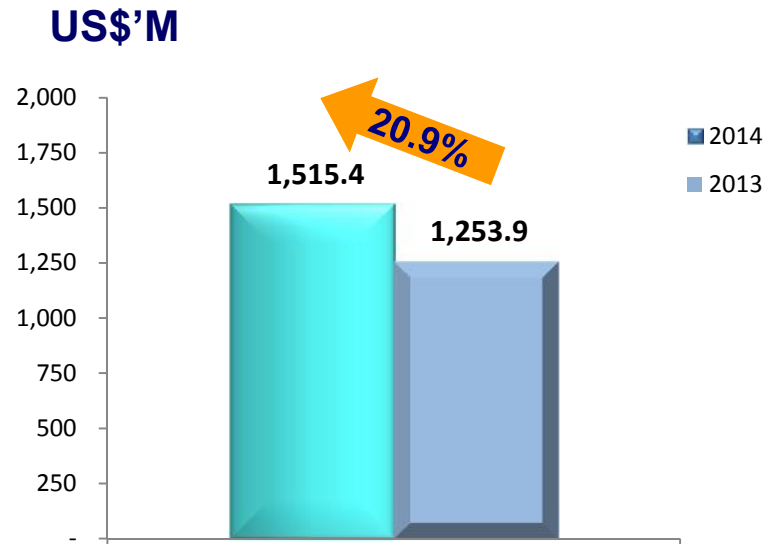
2014 BUSINESS REVIEW



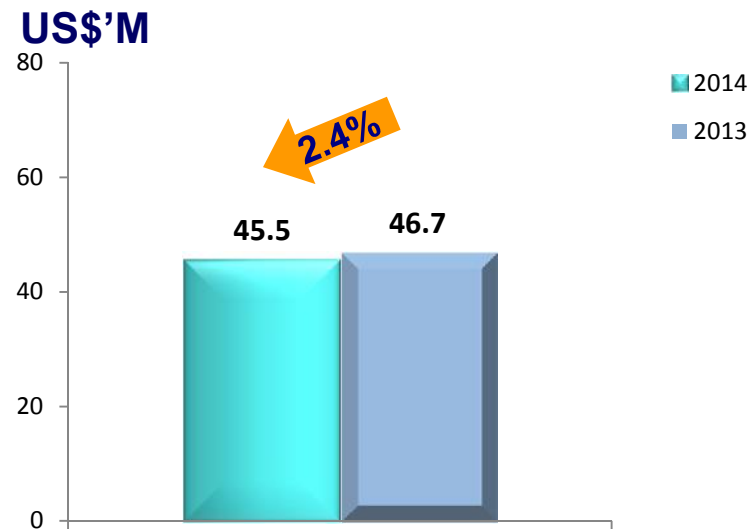
Business Review: Manufacturing



Revenue



Profit Before Taxation



For the year ended 31 December

- Revenue increased by 20.9% to US\$1,515,400,000 (2013: US\$ 1,253,900,000) partly as a result of good container demand encouraged by improving economic conditions in the United States, greater number of large container vessel deliveries and the need for replacement containers.
- Pretax profit was US\$45,546,000 (2013: US\$46,688,000, which included a one-off gain of US\$9,793,000 from the disposal of two factories in Shunde).

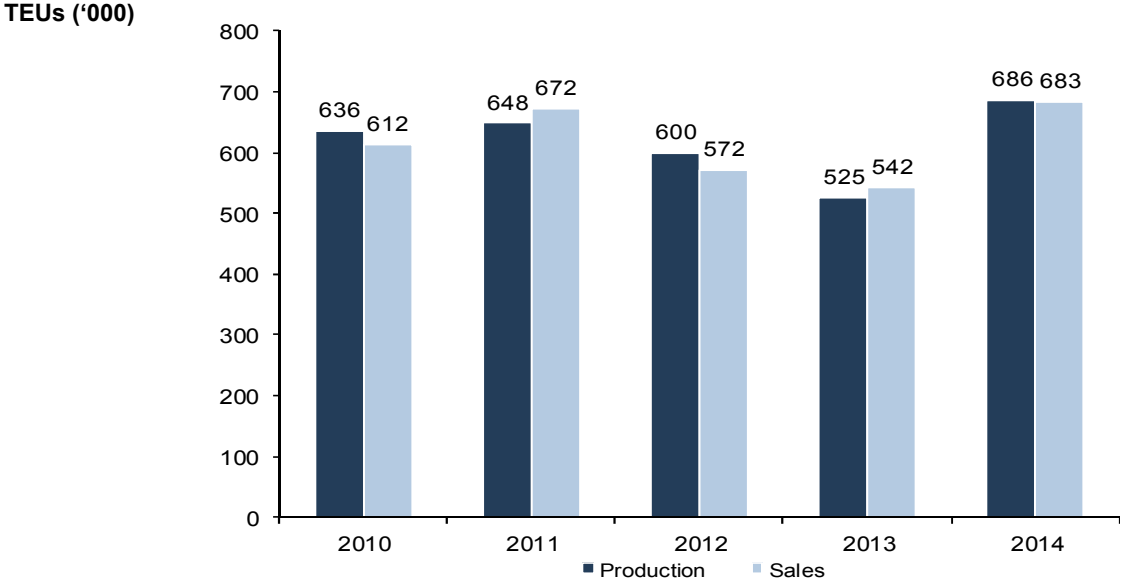
Business Review: Manufacturing



Well Managed Production Output and Sales Volume:

- As at 31 December 2014, the Group produced 686,474 TEUs (2013: 525,449 TEUs) and sold 683,007 TEUs (2013: 542,442 TEUs).

Production output and sales volume



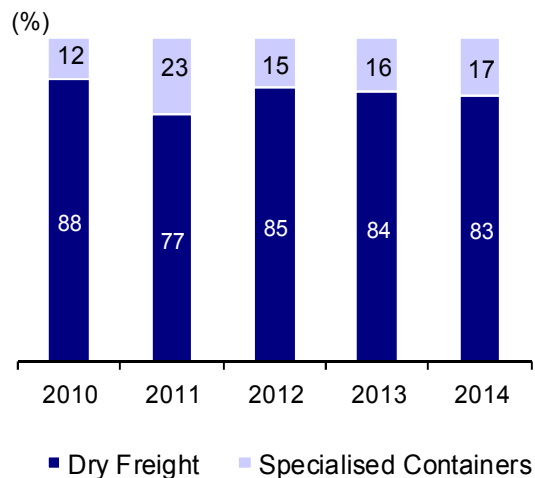
Business Review: Manufacturing



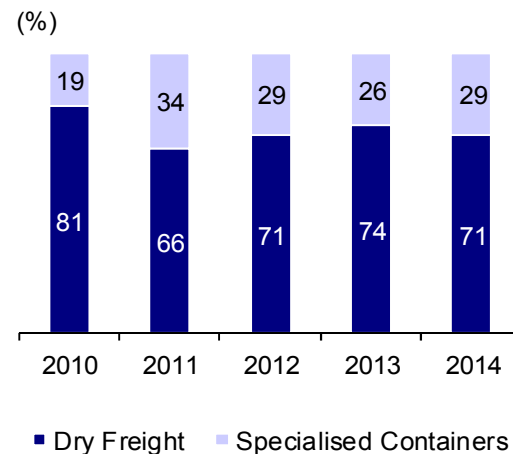
Diversifying Product Mix to Stabilise Income:

- To further diversify its businesses as well as providing a buffer against the trade driven volatile market for dry freight containers, Singamas is exploring higher-margin specialised containers with more stable demand.
- More resources have been put on developing specialised containers to enhance competitiveness.
- Revenue breakdown for dry freight and specialised containers in the reporting period was 71% and 29% respectively in 2014.

**Manufacturing Volume
% Breakdown**



**Sales Revenue
% Breakdown**



Business Review: Manufacturing

JV Investment with Modex Group to Improve Profitability:

- In 19 February 2014, the Group entered into a Master Agreement to obtain 26% of the enlarged issued share capital of the newly restructured Modex Group (Euro Offshore and Modex Asia became the wholly owned subsidiary of Modex Group).
- According to the Shareholders Agreement, the Group has made further investments to Modex Group and the shareholdings increased to 28.5% as at year ended 2014.
- Euro Offshore is principally engaged in the business of selling and leasing cargo and modules for the offshore industry, and the purchase and sale of stocked offshore equipment such as cables, pipes and fitting.
- Modex Asia is one of the leading manufacturers and providers of DNV certified cargo carrying units, cabins and equipment for offshore oil and gas operations.
- QSOE has successfully obtained the DNV certificate in May 2014 and the first batch of offshore containers has been completed in the same month.

Offshore Cabins



Offshore Baskets



Accommodation



Offshore Reefer



Offshore Tank



Business Review: Manufacturing



Results of Modex Group for the year 2014 and prospects in 2015:

- Due to the restructuring during the year, Modex Group incurred start up cost for establishing overseas offices. Besides, it keeps on building up the fleets for the leasing operations which in turn incurred higher finance cost.
- Loss after tax for the year 2014 was US\$3.5 million, which Singamas shared US\$794,000 losses for the year.
- Modex Group currently has around 13,900 units of offshore containers with the leasing utilisation rate of around 71%.
- The Group's leasing business covered Norway, Southeast Asia (including Singapore, Malaysia, Brunei and Indonesia), Australia, Middle East (including Abu Dhabi and Saudi) and Brazil. It provided opportunity to increase its sales revenue given the global marketing platform established.
- Weakness in oil price expected to offer favorable rental opportunities since most of the oilfield service companies require to curtail capex.

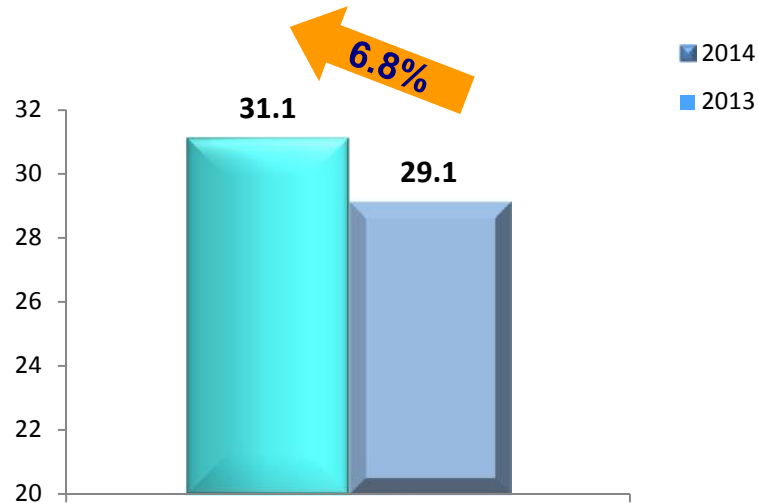


Business Review: Logistics Services – Container Depots & Terminals



Revenue

US\$'M



Profit Before Tax

US\$'M



Revenue and Pretax Profit:

- Continued to provide a stable stream of revenue to the Group, which totalled US\$31,075,000 (2013: US\$29,109,000).
- Pretax profit was US\$6,978,000 (2013: US\$10,459,000, which included a one-off gain of US\$5,114,000 from the disposal of a depot in Shunde).

Business Review:

Logistics Services – Container Depots & Terminals



Maintained Stable Handling and Storage Rate:

- A total of 3,170,000 TEUs were handled (2013: 3,023,000 TEUs).
- Average daily container storage reached 89,000 TEUs (2013: 96,200 TEUs).

Handling, Repair and Storage Volumes

	2014			2013		
	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs
PRC	2,810,268	474,175	78,574	2,648,423	423,783	84,909
Hong Kong	309,265	73,614	9,716	319,377	77,604	10,298
Thailand	50,553	21,445	676	55,201	21,878	971
TOTAL	3,170,086	569,234	88,966	3,023,001	523,265	96,178

Increased Shareholding in a Profitable Depot in Xiamen:

- The Group's shareholding in a depot in Xiamen has been increased from 28% to 35% in early 2015. The increased stake was motivated by the depot's encouraging performance and ability to provide steady income to the Group.

Business Review: Logistics Services – Container Depots & Terminals

Potential investment project in Guangxi:

- On 21 March 2015, the Group signed the Strategic Cooperation Framework Agreement with Guangxi Beibu Gulf International Port Group Ltd (廣西北部灣國際港務集團有限公司) to develop a container freight station in Guangxi and to explore further cooperation in container manufacturing and the cold chain logistic business.
- Guangxi is one of the provinces which has included in the construction of Silk Road Economic Belt (絲綢之路經濟帶) and the 21st Century Maritime Silk Road(21世紀海上絲綢之路). It occupies an important position in China that linked to Southeast Asia by land, sea and air.
- Guangxi is establishing comprehensive railway network to connect the major cities in China, including Yunnan (雲南), Guizhou (貴州), Sichuan (四川), Chongqing (重慶) and etc.
- The “One Belt One Road” (一帶一路) grand project, has become a priority in China’s National foreign-policy drive. This development will create and promote longer term regional growth in Guangxi and its surrounding cities.
- We believe this investment project holds potential growth of the Group’s logistic business going forward.



FUTURE PLANS



Future Plans



Industry Leadership Capabilities

- ▶ Enhanced Competitiveness and Production Efficiency through ongoing automation
- ▶ Strong Financial Position
- ▶ Further Develop Higher-margin Specialised Containers by Increasing the Product Mix
- ▶ Market Network and Global Reputation
- ▶ Maintain High Product Quality

APPENDIX



Consolidated Income Statement I (Classification Of Expenses By Nature)



For the year ended 31 December

	2014 US\$'000	2013 US\$'000
Revenue	1,546,483	1,282,988
<u>Other income</u>	902	16,068
<u>Changes in inventories of finished goods and work in progress</u>	24,287	(25,968)
<u>Raw materials and consumables used</u>	(1,202,475)	(954,727)
<u>Staff costs</u>	(139,753)	(101,454)
<u>Depreciation and amortisation expense</u>	(26,611)	(21,602)
<u>Exchange gain (loss)</u>	5,787	(7,646)
<u>Other expenses</u>	(143,596)	(126,086)
Finance costs	(13,802)	(18,201)
Investment income	4,704	5,064
Fair value gain of derivative financial instruments	239	-
Reclassification of fair value gain of derivative financial instruments designated as hedging instruments from hedge reserve	(3,071)	8,079
Share of results of associates	(72)	920
Share of results of joint ventures	(498)	(288)
Profit before taxation	52,524	57,147
Income tax expense	(19,624)	(17,859)
Profit for the period	32,900	39,288
Attributable to:		
Owners of the Company	28,021	34,274
Non-controlling interests	4,879	5,014
	32,900	39,288
Earnings per share		
Basic	US\$1.16 cents	US1.42 cents
Diluted	US\$1.16 cents	US1.42 cents

Consolidated Income Statement II (Classification Of Expenses By Function) (For Reference Only)



For the year ended 31 December

	2014 US\$'000	2013 US\$'000
Revenue	1,546,483	1,282,988
<u>Cost of sales</u>	<u>1,397,848</u>	<u>1,150,162</u>
Gross Profit	148,635	132,826
<u>Other income (expense)</u>	<u>902</u>	16,068
<u>Selling and distribution expenses</u>	<u>(41,292)</u>	(32,941)
<u>General and administrative expenses</u>	<u>(49,008)</u>	(46,734)
<u>Exchange gain (loss)</u>	<u>5,787</u>	(7,646)
Profit from operations	65,024	61,573
Finance costs	(13,802)	(18,201)
Investment income	4,704	5,064
Fair value gain of derivative financial instruments	239	-
Reclassification of fair value gain of derivative financial instruments designated as hedging instruments from hedge reserve	(3,071)	8,079
Share of results of associates	(72)	920
Share of results of joint ventures	(498)	(288)
Profit before taxation	52,524	57,147
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	32,900	39,288
Earnings per share		
Basic	US\$1.16 cents	US\$1.42 cents
Diluted	US\$1.16 cents	US\$1.42 cents

Comprehensive Container Factory and Depot Network



● FACTORIES

- Currently have 12 factories with 17 production lines
- Manufacture of dry freight containers, refrigerated containers, 53' US domestic containers, tank containers, offshore containers and other specialised containers
- Qidong Singamas Offshore Equipment Co. Ltd. ("QSOE") was established for the manufacture of offshore containers and the first batch of offshore containers has been completed in May 2014
- QSOE has three months' worth of production order on hand, this should bode well for the offshore container business

● DEPOTS/TERMINALS

- Total yard size of approximate 1.2 m²
- Total storage capacity of approximate 154,000 TEUs
- Container storage and handling services, dry & reefer container maintenance and repair, CFS, cargo stuffing and unstuffing and other container related services



● LOGISTICS

- Xiamen

Manufacturing



Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines		Annual Production Capacity TEUs (Note 1)		Products
				2013	2014	2013	2014	
The PRC	Tianjin Pacific (97%)	Tianjin	2002	1	1	80,000	80,000	■ Dry freight and specialised containers
	Qingdao Pacific (100%)	Qindao	2004	2	2	140,000	140,000	■ Dry freight and US domestic containers
	Singamas Container Industry (75%)	Yixing	1994	2	2	30,000	30,000	■ Flatracks, bitutainers, pallet-wide containers, log carriers, other specialised containers and container components
	Shanghai Pacific (60%)	Shanghai	1990	1	1	10,000	10,000	■ Tank containers
	Shanghai Baoshan (74%)	Shanghai	2003	2	2	175,000	175,000	■ Dry freight and other specialised containers
	Shanghai Reeferco (90.91%)	Shanghai	1996	1	1	35,000	35,000	■ Refrigerated containers
	Xiamen Pacific (100%) (Note 1)	Xiamen	1998	1	1	70,000	70,000	■ Dry freight containers
	Hui Zhou Pacific (91%)	Hui Zhou	2006	2	2	120,000	120,000	■ Dry freight and other specialised containers
	Ningbo Pacific (100%)	Ningbo	2006	1	1	110,000	110,000	■ Dry freight containers
	Qidong Singamas (100%)	Qidong	2012	2	2	200,000	200,000	■ Dry freight and other specialised containers
	Qidong Pacific (100%)	Qidong	2013	1	1	30,000	60,000	■ Refrigerated containers
	Total Container Manufacturing (Note 1)				16	16	1,000,000	1,030,000
Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines		Annual Production Capacity (units) (Note 2)		Products
				2013	2014	2013	2014	
The PRC	Qidong Offshore (50%)	Qidong	2014	N/A	1	N/A	5,000	■ Offshore containers

Notes:

1. Annual production capacity is based on extended single shift.
2. The production capacity of Qidong Offshore is based on units, not TEUs.

Container Depots / Terminals



Location (Effective Equity Stake)	Date of Commencement	Yard size	Storage Capacity**	Services Provided	
The PRC	Dalian(36.84%)	2000	160,000 sq. m	14,000 TEUs	Container storage, handling, haulage, dry & reefer container maintenance and repair, cleaning and fumigation, C.F.S., etc.
	Tianjin(100%)	1994	80,000 sq. m	8,000 TEUs	Container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S., etc.
	Qingdao(60%)	1994	138,340 sq. m	18,000 TEUs	Container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S., forwarder, etc.
	Shanghai (40%) (note)	2013	113,000 sq. m	12,600 TEUs	Container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S., etc.
	Qidong (100%)	2012	124,000 sq. m.	32,000 TEUs	Container storage, handling and barging
	Ningbo (40%)	1995	114,000 sq. m	17,500 TEUs	Container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S., etc.
	Xiamen (28%)	1996	262,000 sq. m	27,000 TEUs	Container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S., etc.
	Fuzhou (40%)	2003	83,500 sq. m	11,500 TEUs	Container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S., bonded warehousing & trading within bonded zone, etc.
Hong Kong	- DY Terminal (100%)	1993	10,500 sq. m	1,575 TEUs	Container storage and repair, CFS, container haulage, reefer point & repair, hanger box decoration, stevedore and barge services, etc.
	- Eng Kong (73.3%)	1994	58,000 sq. m	8,925 TEUs	Container storage and repair, CFS, container haulage, reefer point & repair, hanger box decoration, stevedore and barge services, etc.
Thailand	Laem- Chabang (25%)	2001	38,000 sq. m	3,000 TEUs	Container storage and repair, cargo storage & distribution, cargo stuffing & unstuffing, cargo packaging/repackaging, etc.
Total		1,181,340 sq.m	154,100 TEUs		

** Container (for both loaded and empty containers) storage only, excluding bulk cargo and other warehousing space.