

Singamas Container Holdings Limited

(incorporated in HK with Limited Liability)

Website: www.singamas.com

(Stock Code: 00716.hk)



FORGING LINKS AND FOUNDATION FOR THE FUTURE



**2015 Interim Results
Presentation**

18 August 2015

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Agenda



- Corporate Profile
- Industry Dynamics
- Financial Review
- Business Review
- Future Plans
- Appendix
 - Consolidated income statements
 - Singamas' comprehensive factory & depot network



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 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 46% of total dry freight container production costs in 1H2015 vs 49% in 1H2014. The corten steel price is expected to drop further in the 2H2015.
- Direct labour cost is increasing, it accounts for 7.1% of total production costs in 1H2015 vs 6.4% in 1H2014.
- Size of container fleet worldwide by end 2014 was estimated to be 36.4 million TEUs, supporting 18.4 million TEUs of shipping capacity. (Please refer to slide 10 for more details)

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, flatrack 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



Offshore Container



Specialised Container Industry Dynamics



Platform Container



Open-side Container



Container House



Singatech (Flatrack) Container



Bitutainer



Gas Pack Container



Open top Container



Bulk Container



20' Waste Container



Half-height Container



45' Container



48' Container



Continuous and sustainable improvement in management



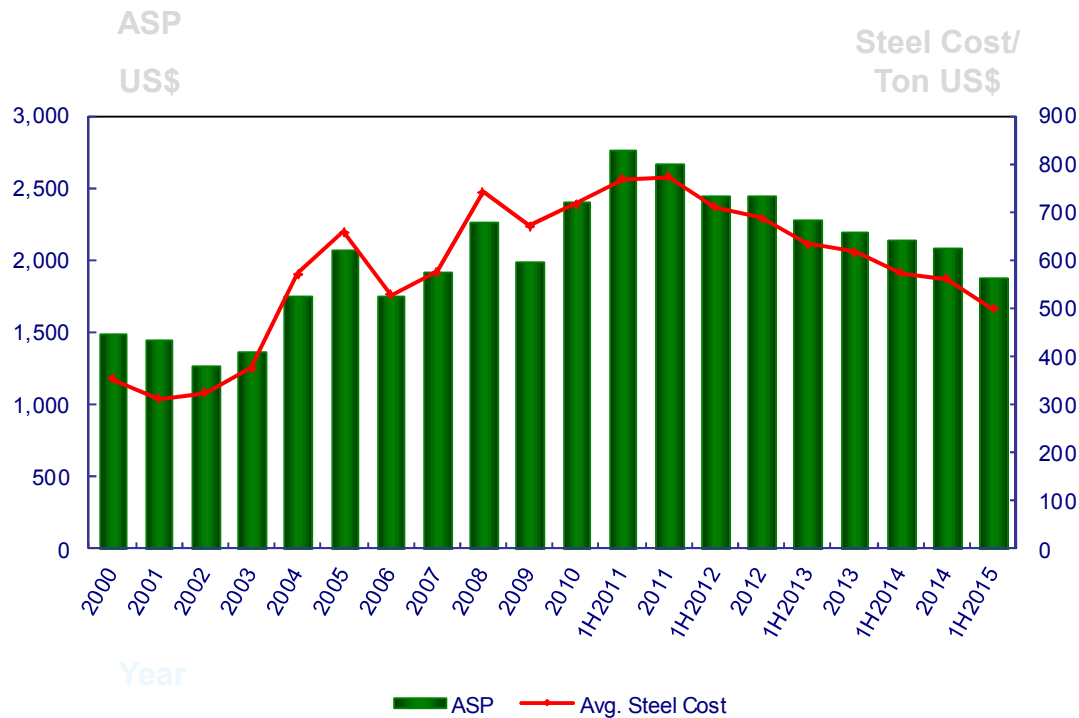
To improve the overall quality management and environmental management, the management office in Shanghai and all the factories in PRC obtained ISO9001 and ISO14001 in November 2014. Besides, the Group has successfully obtained the DNV certificates in May 2014 and July 2015 to produce offshore containers and offshore tank containers respectively.



Container Prices vs. Steel Prices



2000 – 1H2015 20ft. Dry Freight Container¹ Price (ASP²) vs. Average Steel Cost Per Ton



- 1H2015 ASP of 20ft dry freight container fell to US\$1,880, 12.4% lower than 1H2014's US\$2,147 and 9.9% lower than FY2014's US\$2,086.
- The drop reflected the decline in raw material prices, particularly corten steel price.
- 1H 2015 average steel cost was US\$499/ton, 13.1% lower than the same period last year (1H2014: US\$574/ton) and 10.9% lower than FY2014's US\$560/ton.

Note:

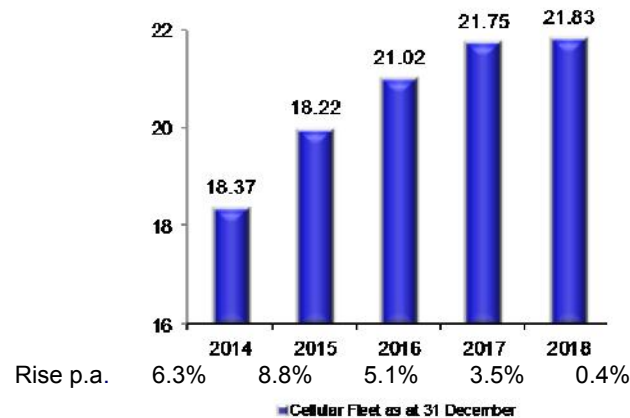
1. one 20' container normally requires 1.8 tons (including wastage) of steel.
2. ASP stands for average selling price of Singamas.

Container Shipping Fleet Projections 2015-2017

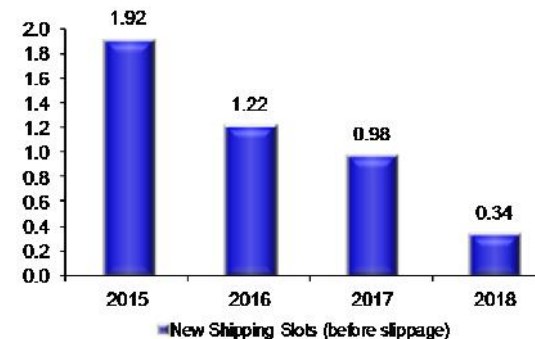


- In normal circumstances, the box to TEU slot ratio is 2x.
- That is, for every one new shipping slot, approximately 2 TEUs of new containers would be required.
- Shipping capacity projected to grow steadily from 18.37 million TEUs in December 2014 to 21.83 million TEUs by December 2018 (CAGR: 4.41%).
- New shipping slots are expected to reach the peak of 1.92 million TEUs in 2015.
- Among new vessels to be delivered from 2015 to 2019, 194 vessels are with capacity of more than 10,000 TEUs, total shipping slots for these 194 vessels reached 2.94 million TEUs, representing more than half of the new capacity.

Shipping Capacity (in mil of TEUs)



New Shipping Slots (in mil of TEUs)



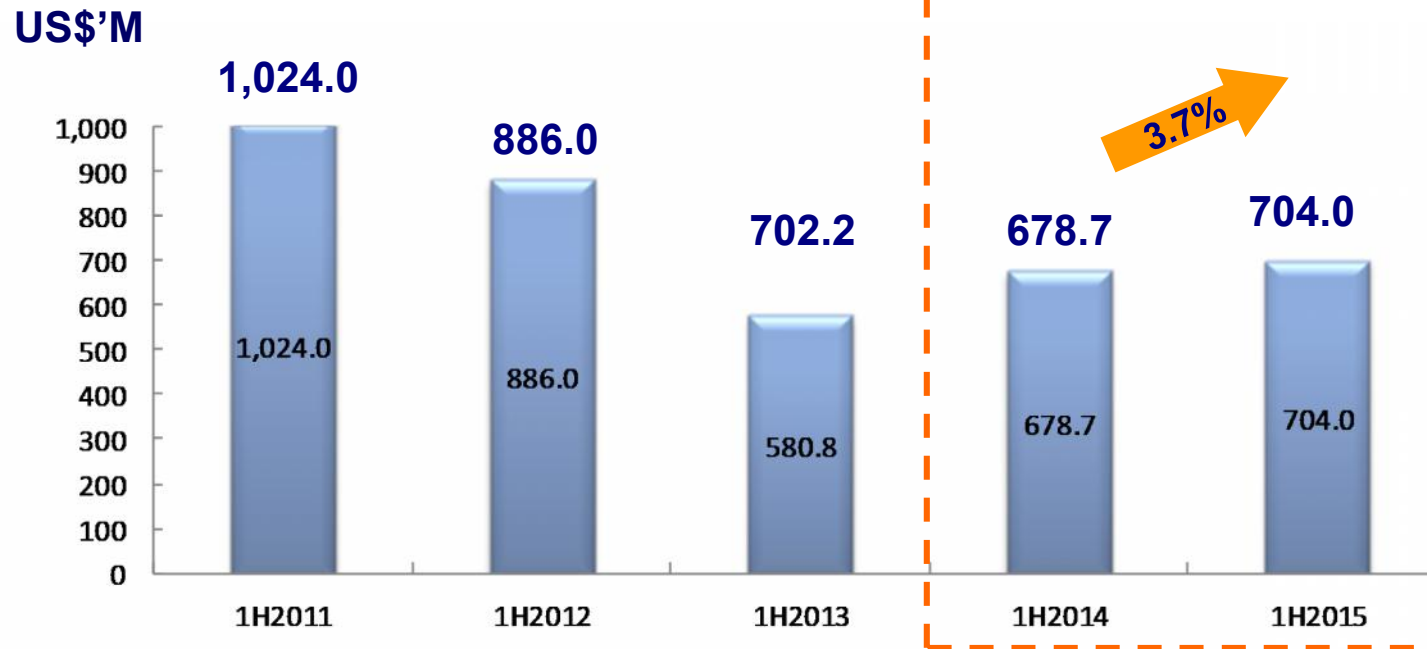
Note: Based on order book as at 1 June 2015. Forecast figures take into account delivery deferrals and slippage. Expected fleet size after provision for future scrappings and delivery slippage is based on the following assumptions:

- Slippage: 23 ships for 100,000 TEUs planned for delivery in 2015 are assumed to be delayed to the following year; and*
- Scrappings and de-ceilings are estimated to reach 200,000 TEUs in 2015 and 300,000 TEUs in 2016 and 250,000 TEUs in 2017-18.*

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

2015 Interim Results

Financial Review: Revenue

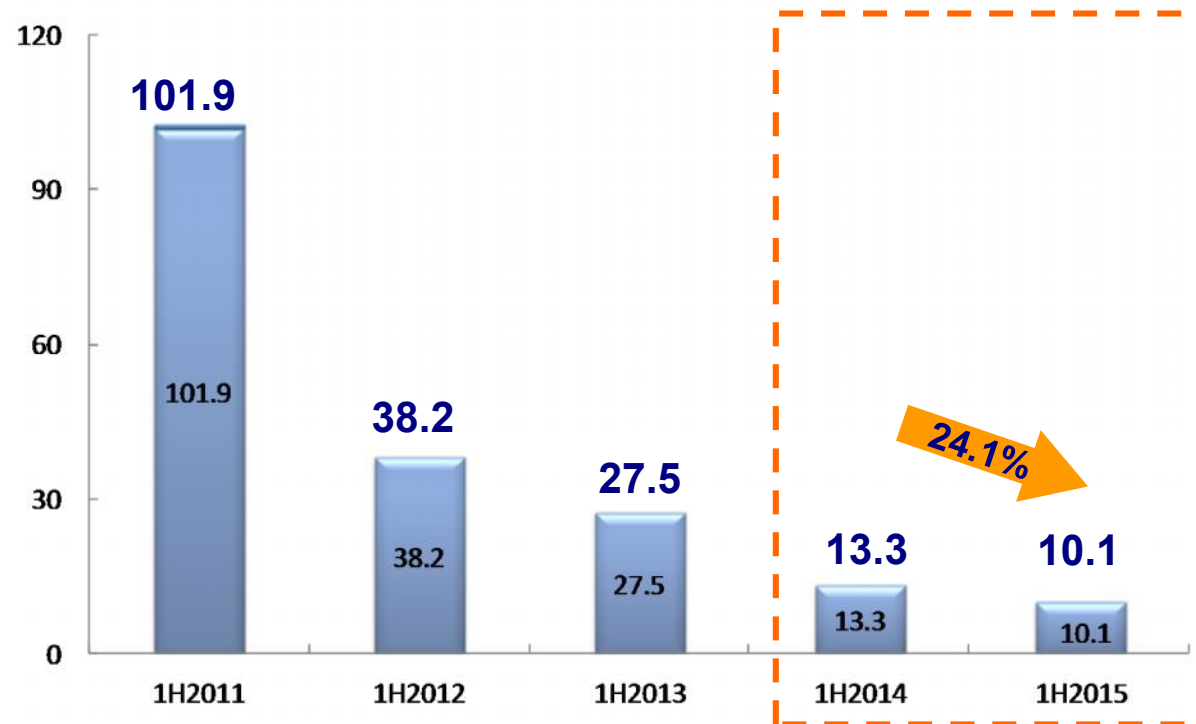


For the six months ended 30 June

- Consolidated revenue amounted to US\$704.0 million, an increase of 3.7% over the revenue of US\$678.7 million in 1H2014.

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

US\$'M



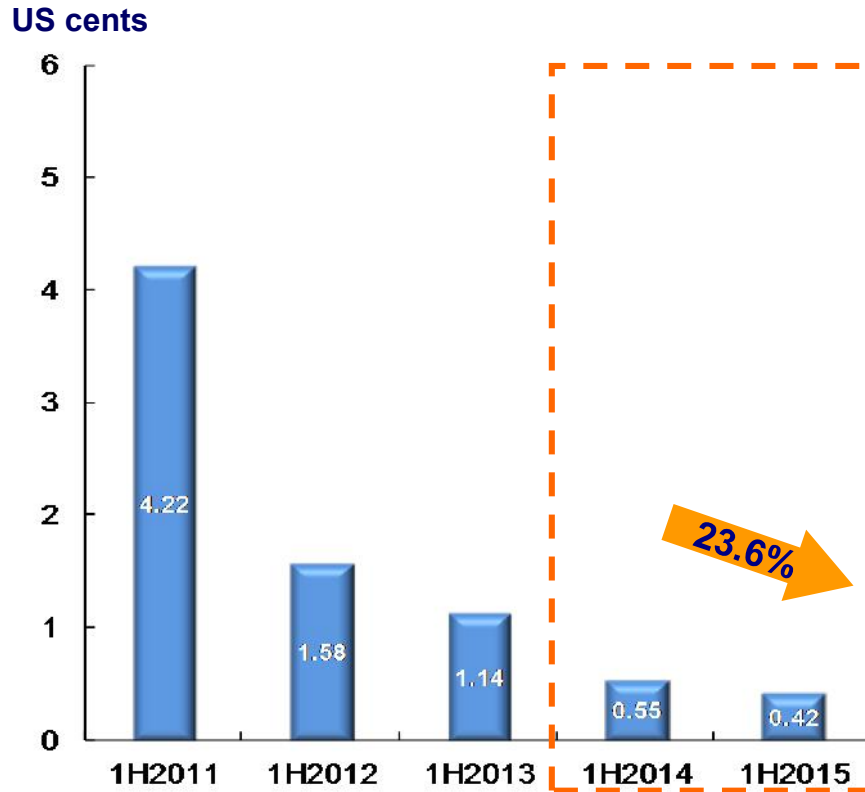
For the six months ended 30 June

- Consolidated net profit attributable to owners of the Company recorded US\$10,079,000 million (1H2014: US\$13,275,000 million). The decrease was due to decline in average selling price.

Financial Review:

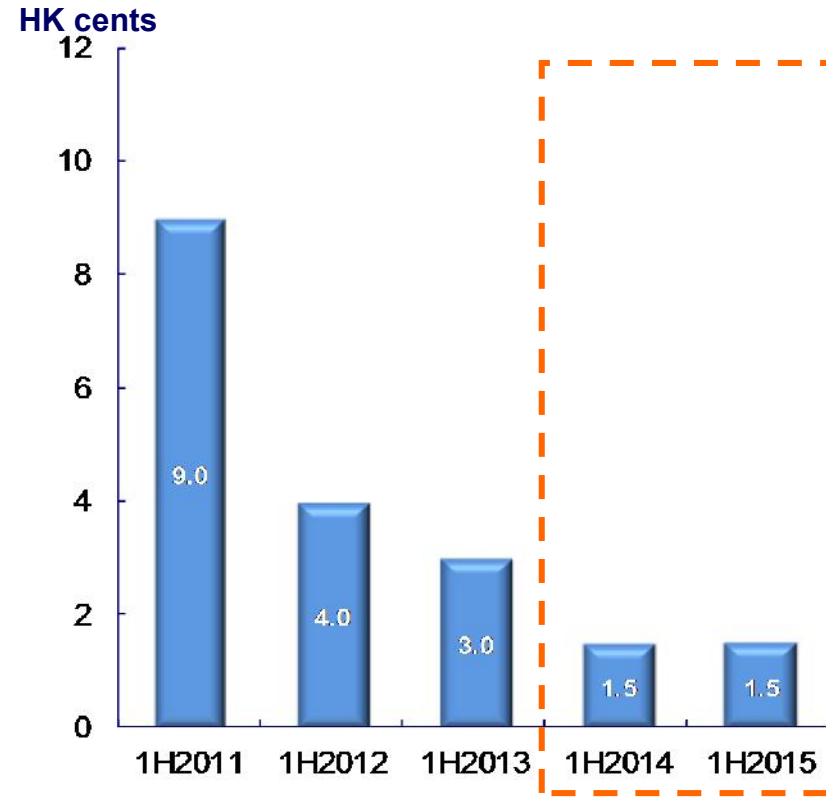


Basic Earnings per Share



For the six months ended 30 June

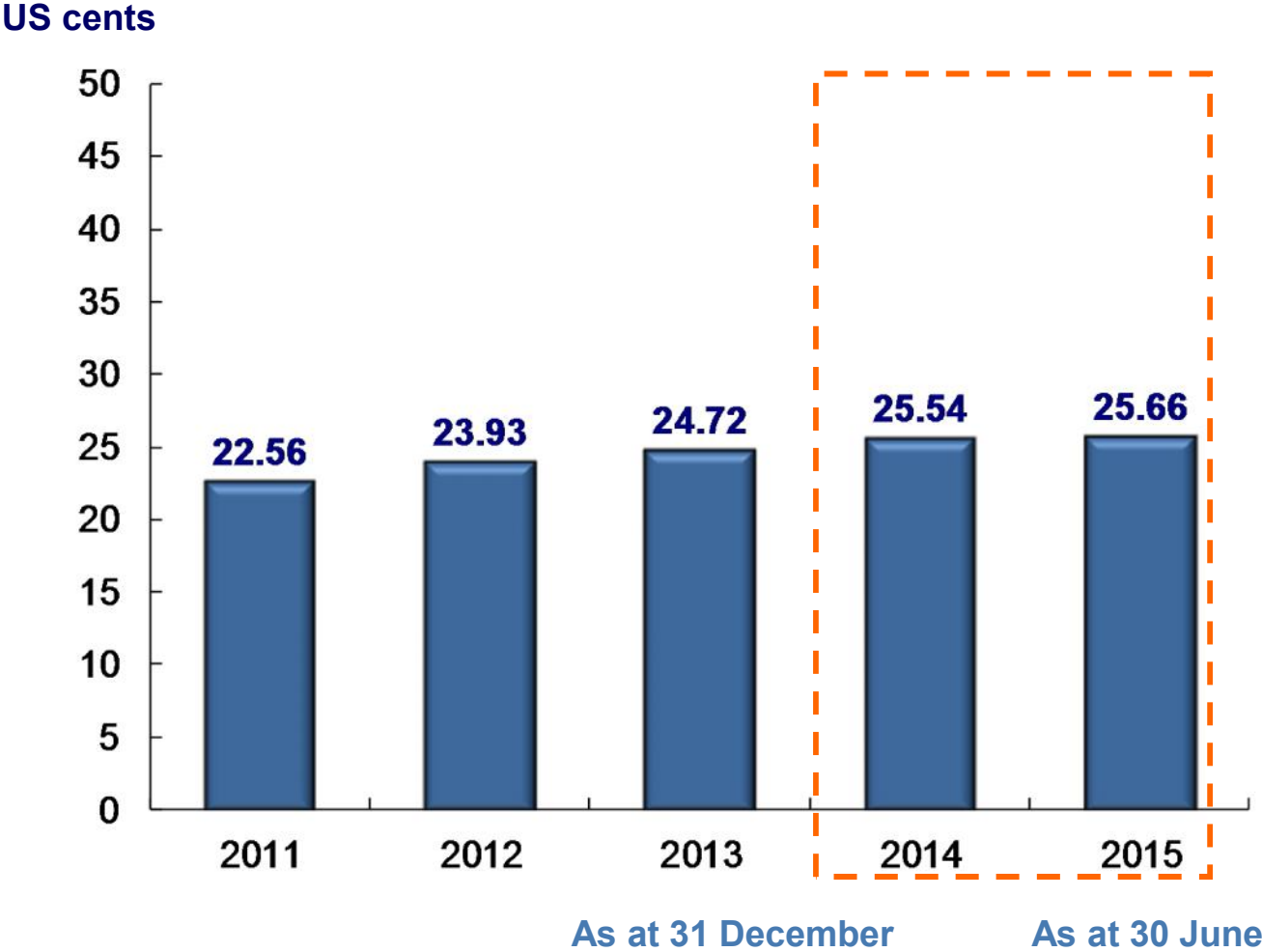
Dividend per Share



For the six months ended 30 June

- Basic earnings per share recorded US0.42 cent (1H2014: US0.55 cent).
- Proposed to pay an interim dividend of HK1.5 cents per ordinary share (1H2014: HK1.5 cents), representing a dividend payout of 46.4% (1H2014: 35.3%).

Financial Review: Net Assets Value per Share



2015 Interim Results

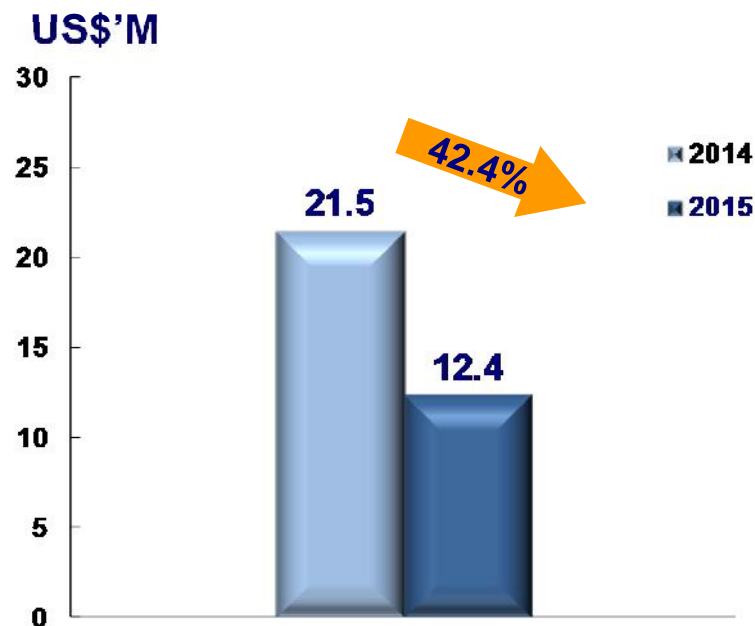
Business Review: Manufacturing



Revenue



Profit Before Taxation



For the six months ended 30 June 2015

- Revenue increased by 3.9% to US\$688,161,000 (1H 2014: US\$ 662,475,000), as a result of improvement on demand for new containers due to greater number of large container vessel deliveries and the need for replacement containers.
- Pretax profit was US\$12,373,000 (1H 2014: US\$21,485,000) as a result of decline in average selling price of dry freight containers.

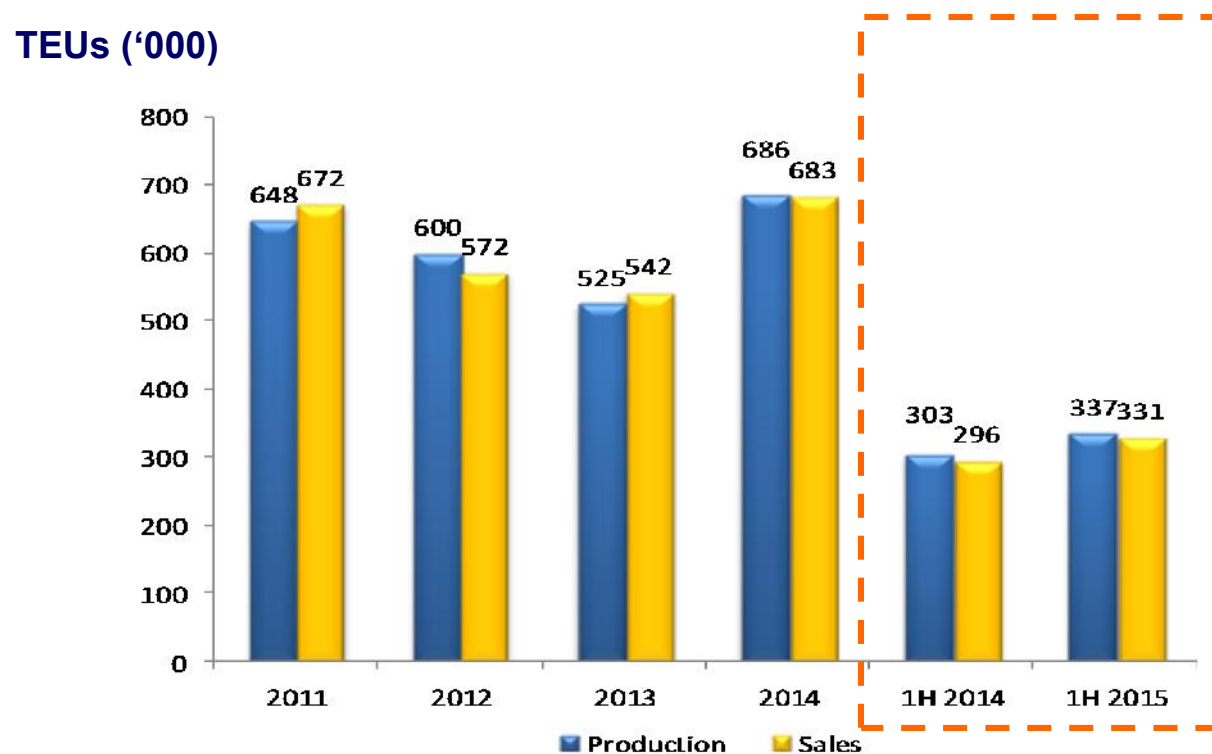
Business Review: Manufacturing



Well Managed Production Output and Sales Volume:

- For the six months ended, the Group produced 336,581 TEUs (1H 2014: 302,852 TEUs) and sold 331,449 TEUs (1H 2014: 296,374 TEUs).

Production Output and Sales Volume



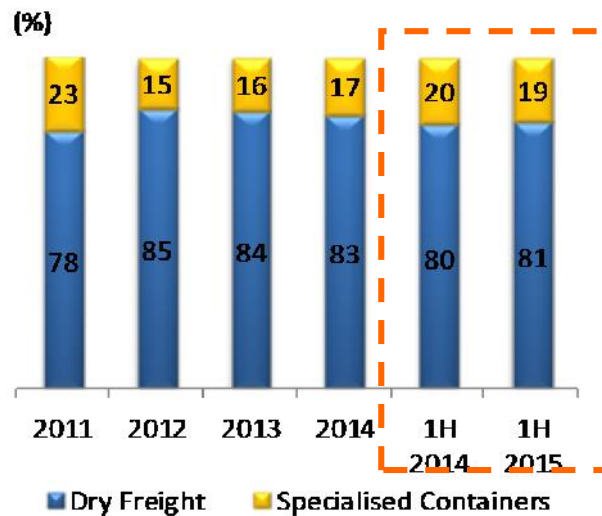
Business Review: Manufacturing



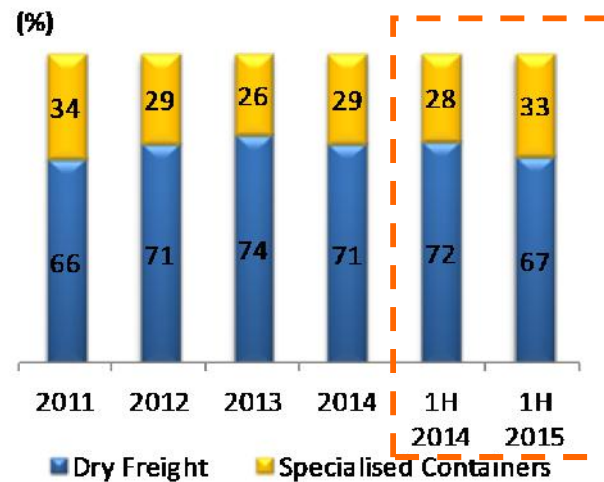
Diversifying Product Mix to Stabilise Income:

- 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 67% and 33% respectively in 1H 2015 (72% and 28% respectively in 1H2014).

**Manufacturing Volume
% Breakdown**



**Sales Revenue
% Breakdown**



Business Review: Manufacturing



JV Investment with Modex Group:

- The Group's co-investment with Modex Asia in Qidong Singamas Offshore Equipment Co., Ltd. ("QSOE"), which was established in August 2013 to manufacture offshore containers, has achieved a production ramp up, increasing from 1,400 units in 2014 (May to December) to 1,800 units in the review period.

Latest Development of Modex Group:

- In April 2015, Modex acquired the Louisiana based company named Gauthiers Offshore Rentals LLC, making Modex Group becomes the third largest offshore container company with an inventory of 17,000 units. The acquisition enables Modex to extend its presence to the North American oil and gas market.
- Weakness in oil price expected to offer favorable rental opportunities since most of the oilfield service companies require to curtail capex.

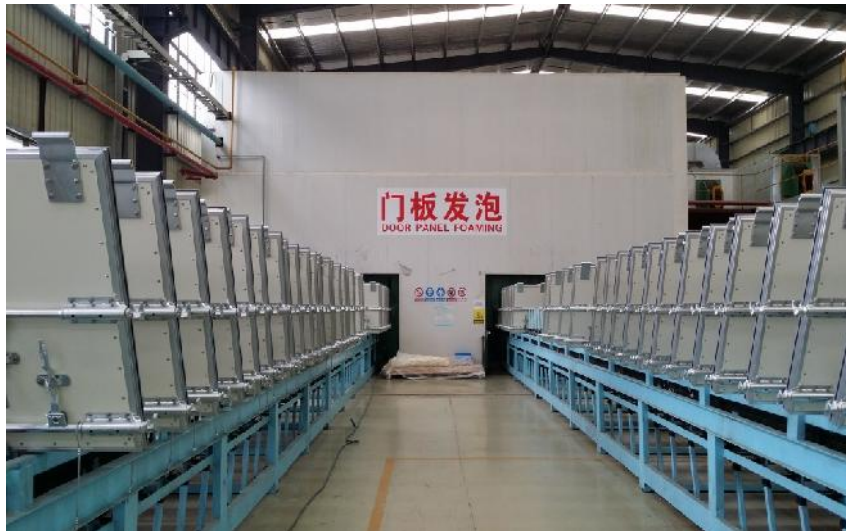


Business Review: Manufacturing



New factory in Qingdao:

- The Group is committed to build a new refrigerated container factory in Qingdao.
- A parcel of land has already been secured for the factory, which is expected to commence operation by the end of 2016.
- Refrigerated containers demand in Qingdao is strong, we believe the Qingdao factory will strengthen the Group's competitiveness and better address the delivery requirements of its customers.

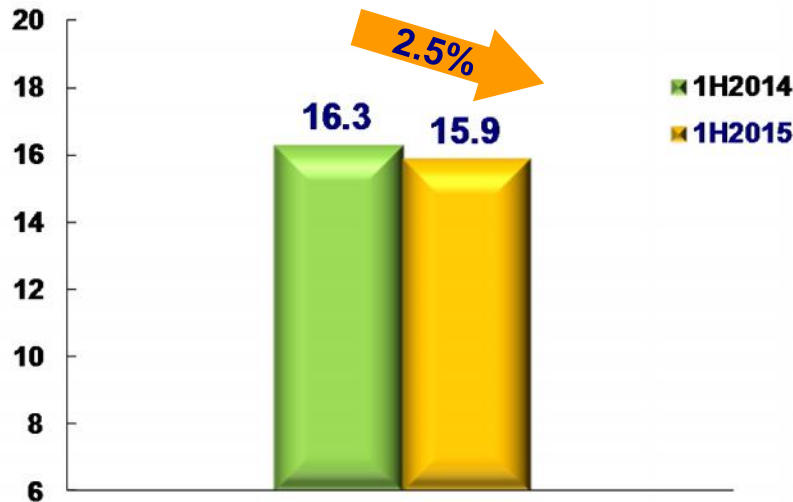


Business Review: Logistics Services – Container Depots & Terminals



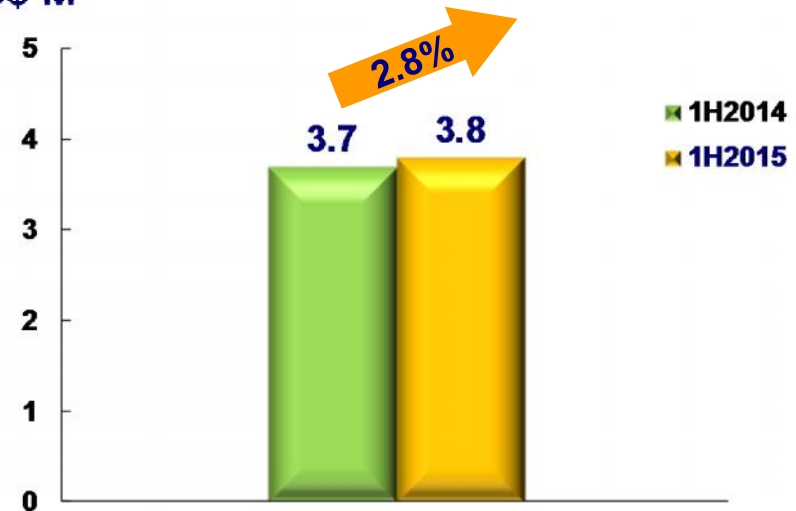
Revenue

US\$'M



Profit Before Tax

US\$'M



Revenue and Pretax Profit:

- Revenue slightly decreased by 2.5% to US\$15,868,000 (1H 2014: US\$16,270,000).
- Pretax profit rose slightly to US\$3,829,000 (1H 2014: US\$3,724,000).

Business Review:

Logistics Services – Container Depots & Terminals



Maintained Stable Handling and Storage Rate:

- A total of 1,568,380 TEUs were handled (1H 2014: 1,642,784 TEUs).
- Average daily container storage was 114,231 TEUs (1H 2014: 127,625 TEUs).

Handling, Repair and Storage Volumes

	1H2015			1H2014		
	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs
PRC	1,415,127	249,446	101,339	1,458,993	243,438	114,697
Hong Kong	127,452	35,174	12,060	156,026	35,763	12,103
Thailand	25,801	11,442	832	27,765	11,923	825
TOTAL	1,568,380	296,062	114,231	1,642,784	291,124	127,625

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.
- The Group will build a large container freight station in Qinzhou (欽州) that is connected with the railway, which enable the freight station to handle cargoes from both the road and rail.



Future Plans



Industry Leadership Capabilities

- ▶ Enhanced Competitiveness and Production Efficiency through ongoing automation
- ▶ To develop a Technical and Training Centre to serve as a training and research platform for the Group's technicians.
- ▶ Further Develop Higher-margin Specialised Containers by Increasing the Product Mix
- ▶ Market Network and Global Reputation
- ▶ Maintain High Product Quality and Sustainable Development

APPENDIX



Consolidated Income Statement I (Classification Of Expenses By Nature)



Six months ended 30 June

	2015 US\$'000	2014 US\$'000
Revenue	704,029	678,745
<u>Other income</u>	898	1,243
<u>Changes in inventories of finished goods and work in progress</u>	(4,744)	9,535
<u>Raw materials and consumables used</u>	(525,970)	(518,660)
<u>Staff costs</u>	(72,451)	(59,608)
<u>Depreciation and amortisation expense</u>	(14,416)	(13,044)
<u>Exchange gain</u>	11,126	3,835
<u>Other expenses</u>	(77,935)	(67,132)
Finance costs	(5,570)	(8,775)
Investment income	2,004	2,508
Fair value loss of derivative financial instruments	(636)	(120)
Reclassification of fair value loss of derivative financial instruments designated as hedging instruments from hedge reserve	-	(3,701)
Share of results of associates	(390)	437
Share of results of joint ventures	257	(684)
Profit before taxation	16,202	25,209
Income tax expense	(4,633)	(9,980)
Profit for the period	11,569	15,229
Attributable to:		
Owners of the Company	10,079	13,275
Non-controlling interests	1,490	1,954
	11,569	15,229
Earnings per share		
Basic	US0.42 cent	US0.55 cent
Diluted	US0.42 cent	US0.55 cent

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



Six months ended 30 June

	2015 US\$'000	2014 US\$'000
Revenue	704,029	678,745
<u>Cost of sales</u>	<u>(647,533)</u>	<u>(608,075)</u>
<u>Gross Profit</u>	<u>56,496</u>	70,670
<u>Other income</u>	898	1,243
<u>Selling and distribution expenses</u>	<u>(18,304)</u>	<u>(18,255)</u>
<u>General and administrative expenses</u>	<u>(29,679)</u>	<u>(22,579)</u>
<u>Exchange gain</u>	<u>11,126</u>	<u>3,835</u>
Profit from operations	20,537	34,914
Finance costs	(5,570)	(8,775)
Investment income	2,004	2,508
Fair value loss of derivative financial instruments	(636)	(120)
Reclassification of fair value loss of derivative financial instruments designated as hedging instruments from hedge reserve	-	(3,071)
Share of results of associates	(390)	437
Share of results of joint ventures	257	(684)
Profit before taxation	16,202	25,209
Income tax expense	(4,633)	(9,980)
Profit for the period	11,569	15,229
Attributable to:		
Owners of the Company	10,079	13,275
Non-controlling interests	1,490	1,954
	11,569	15,229
Earnings per share		
Basic	US0.42 cent	US0.55 cent
Diluted	US0.42 cent	US0.55 cent

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
				2014	2015	2014	2015	
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	120,000	■ Dry freight, US domestic containers and other specialised 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	■ Standard and offshore tank containers
	Shanghai Baoshan (74%)	Shanghai	2003	2	2	175,000	120,000	■ Dry freight, flatracks and other specialised containers
	Shanghai Reeferco (90.91%)	Shanghai	1996	1	1	35,000	-	■ Suspended operation since Feb 2015
	Xiamen Pacific (100%) (Note 1)	Xiamen	1998	1	1	70,000	80,000	■ Dry freight containers
	Hui Zhou Pacific (91%)	Hui Zhou	2006	2	2	120,000	120,000	■ Dry freight, US domestic containers 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	270,000	■ Dry freight, US domestic containers and other specialised containers
	Qidong Pacific (100%)	Qidong	2013	1	1	60,000	60,000	■ Refrigerated containers
Total Container Manufacturing (Note 1)				16	16	1,030,000	1,000,000	
Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines		Annual Production Capacity (units) (Note 2)		Products
				2014	2015	2014	2015	
The PRC	Qidong Offshore (50%)	Qidong	2014	1	1	5,000	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	
	Tianjin(100%)	1994	80,000 sq. m	8,000 TEUs	
	Qingdao(60%)	1994	138,340 sq. m	18,000 TEUs	
	Shanghai (40%) (note)	2013	113,000 sq. m	12,600 TEUs	
	Qidong (100%)	2012	124,000 sq. m.	32,000 TEUs	Container Depots / Terminals mainly provide container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S. and etc.
	Ningbo (40%)	1995	114,000 sq. m	17,500 TEUs	
	Xiamen (28%)	1996	262,000 sq. m	27,000 TEUs	
	Fuzhou (40%)	2003	83,500 sq. m	11,500 TEUs	
Hong Kong	- DY Terminal (100%)	1993	10,500 sq. m	1,575 TEUs	
	- Eng Kong (73.3%)	1994	58,000 sq. m	8,925 TEUs	
Thailand	Laem- Chabang (25%)	2001	38,000 sq. m	3,000 TEUs	
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.