Singamas Container Holdings Limited

(incorporated in HK with Limited Liability)
Website: www.singamas.com
(Stock Code: 00716.hk)

2016 Interim Results Announcement
26 August 2016

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Agenda

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

Corporate Profile

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- 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.
- 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.
- 10 factories are located in the PRC, with a total annual capacity of around 1 mil TEUs[1] 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.
- 10 container depots/terminals, 8 at the major ports in the PRC and 2 in Hong Kong.
- 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

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- Dry Freight Container demand is driven by trade / export volumes, not freight rates.
- Due to the downturn of many major economies which affected world trade and China's exports, new container demand was soft during the review period. The traditional seasonality trend was not 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 only 42% of total dry freight container production costs in 1H2016 vs 46% in 1H2015 due to the substantial dropped in average steel cost.
- Direct labour cost is increasing, it accounts for 9.0% of total production costs in 1H2016 vs 7.1% in 1H2015. Besides of the yearly increment on labour cost, its substantial increased in proportion to the total production costs was also due to the substantial dropped in material cost.
- Size of container fleet worldwide by end 2015 was estimated to be 38 million TEUs, supporting 19.9 million TEUs of shipping capacity. (Please refer to slide 10 for more details)

Specialised Container Industry Dynamics

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- Specialised containers include 53’ US domestic, refrigerated, tank, offshore, flatrack and other non-dry freight containers.
- Demand for 53’ domestic dry containers was similar to the preceding year; however, the ASP and margin declined due to intense competition.
- Weak performance of refrigerated container due to soft demand.

53’ US Domestic Container

Refrigerated Container

Tank Container

Offshore Container

Specialised Container Industry Dynamics

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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

Container Prices vs. Steel Prices

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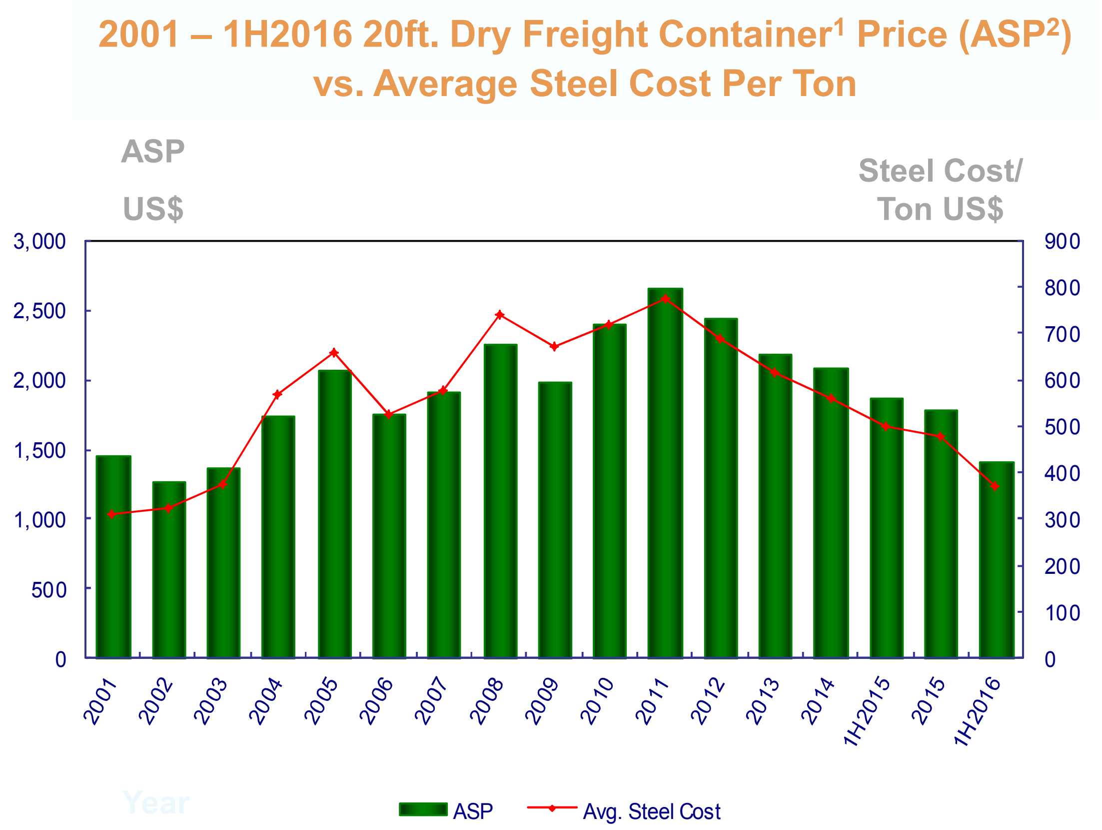

- 1H2016 ASP of 20ft dry freight container fell to US$1,414, 25% lower than 1H2015's US$1,880 and 21% lower than FY2015's US$1,798.
- The drop reflected the decline in raw material prices, particularly corten steel price.
- 1H2016 average steel cost was US$369/ton, 26% lower than 1H2015's US$499/ton and 23% lower than FY2015's US$478/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 2015-2019

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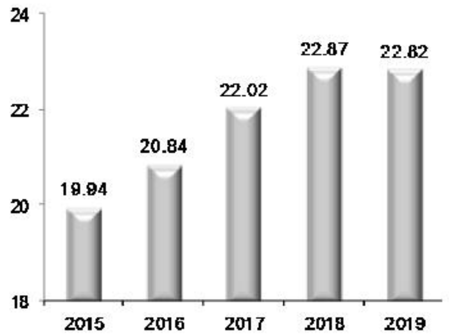
- In normal circumstances, the box to TEU slot ratio is 2x.
- That is, for every one new shipping slot, approximately 2 TEUs of new containers would be required.
- Shipping capacity projected to grow steadily from 19.94 million TEUs in December 2015 to 22.82 million TEUs by December 2019 (CAGR: 3.43%).
- New shipping slots are expected to reach the peak of 1.36 million TEUs in 2016.
- Among new vessels to be delivered from 2016 to 2019, 202 vessels are with capacity of more than 10,000 TEUs, total shipping slots for these 202 vessels reached 3.06 million TEUs, representing more than half of the new capacity.

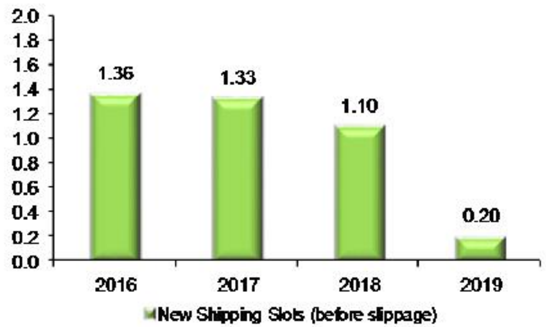
Shipping Capacity (in mil of TEUs)



Rise p.a.	8.5%	4.5%	5.6%	3.9%	-0.2%

Cellular Fleet as at 31 December

New Shipping Slots (in mil of TEUs)



Note: Based on order book as at 1 January 2016. 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:

i) Slippage: 12 ships for 100,000 TEUs planned for delivery in 2016 are assumed to be delayed to the following year; and

ii) Scrappings and de-ceilings are estimated to reach 350,000 TEUs in 2016, 250,000 in 2017 and 250,000 TEUs in 2018.

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

Financial Review: Revenue

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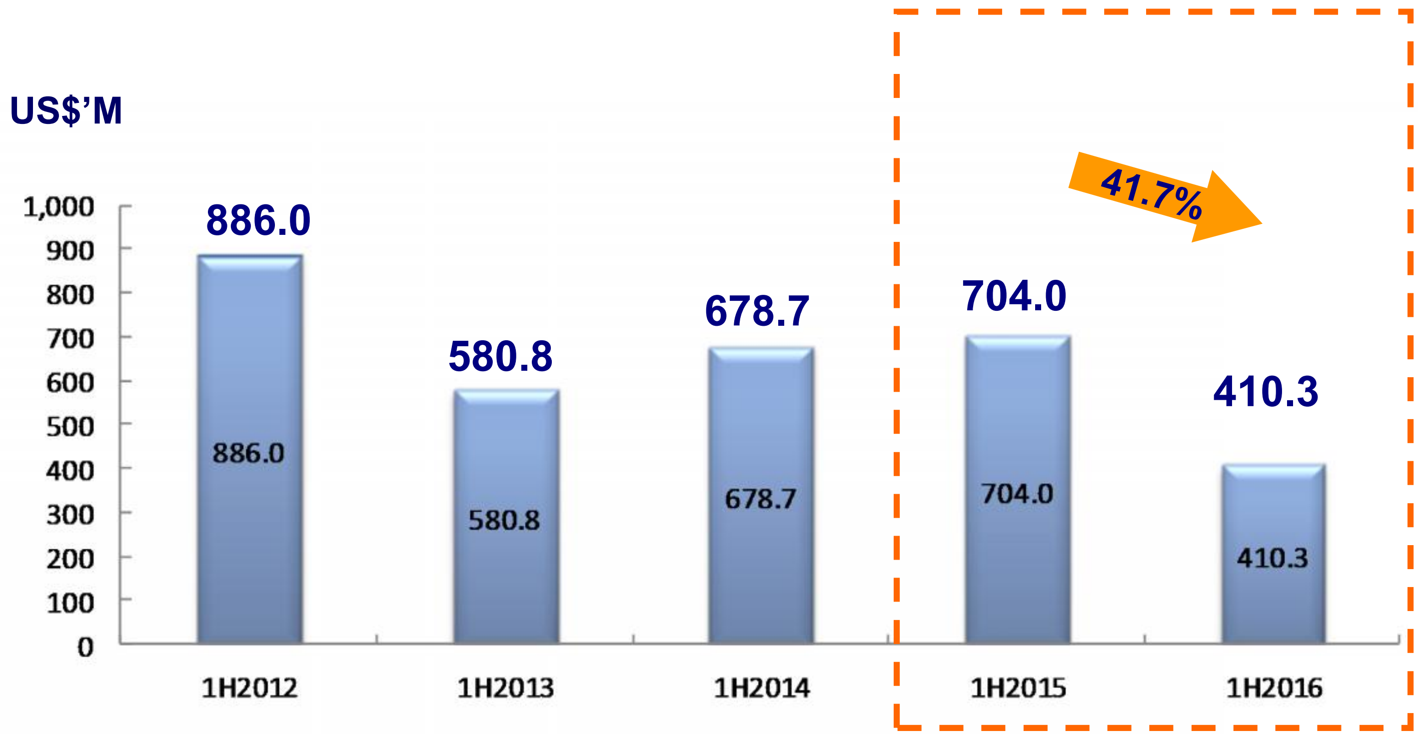
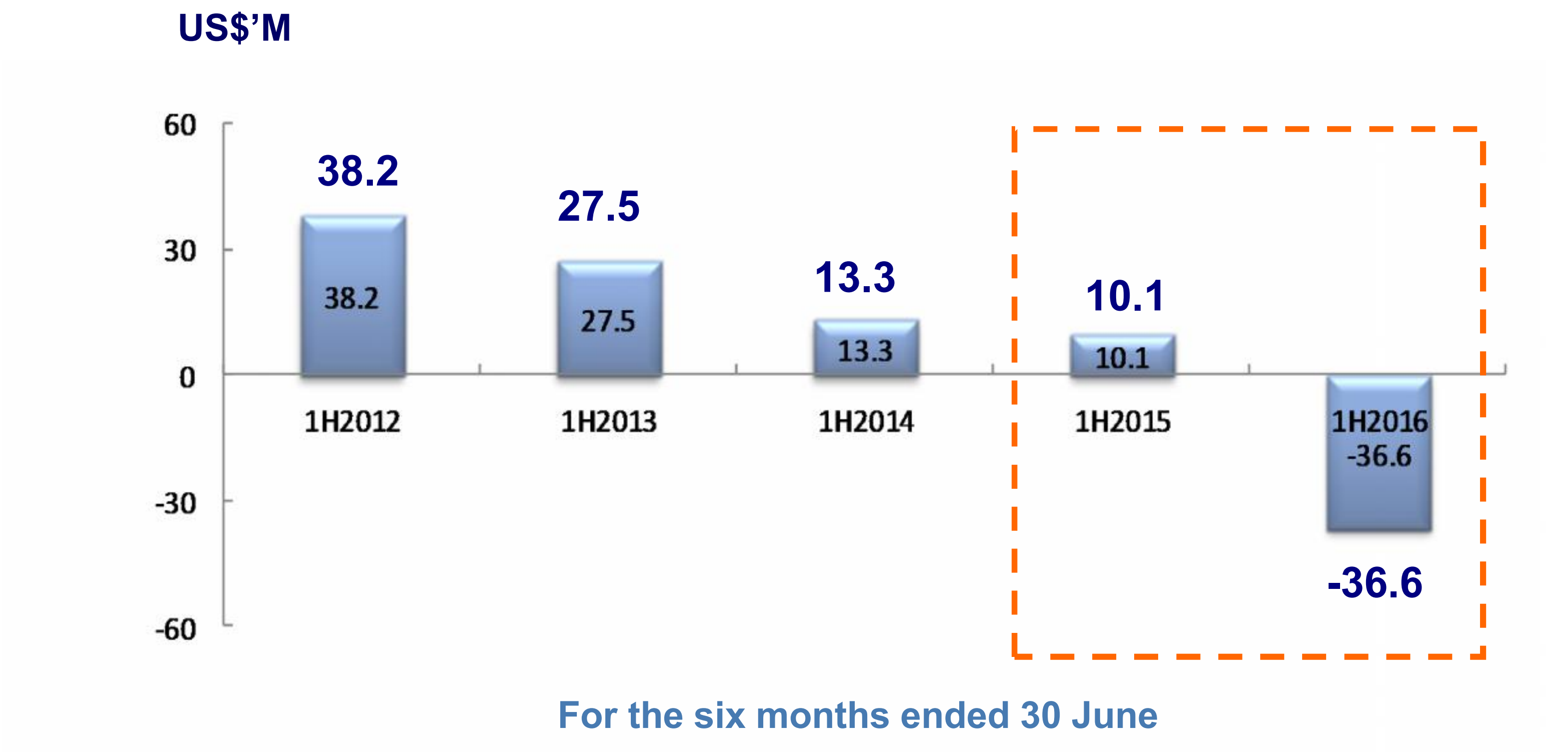


For the six months ended 30 June

- Consolidated revenue amounted to US$410.3 million, a decrease of 41.7% over the revenue of US$704.0 million in 1H2015. The downturn of global economy affected world trade, which in turn impacted on the demand for new dry freight containers and affected the ASP.

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



- Consolidated net loss attributable to owners of the Company amounted to US$36.6 million (1H2015: profit of US$10.1 million). The loss was owing to substantial decline in turnover and further compensation of US$6.6 million made in connection with the Tianjin explosion incident due to commercial considerations.

Financial Review:

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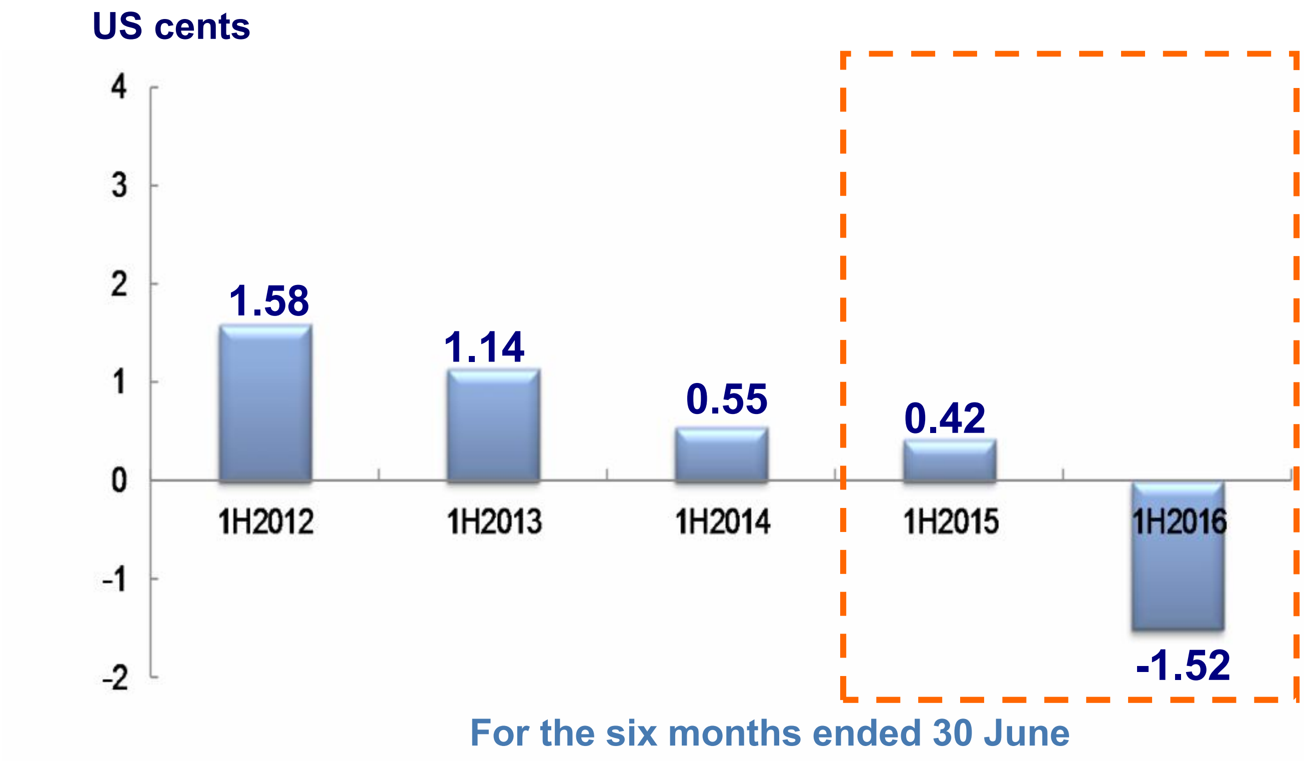
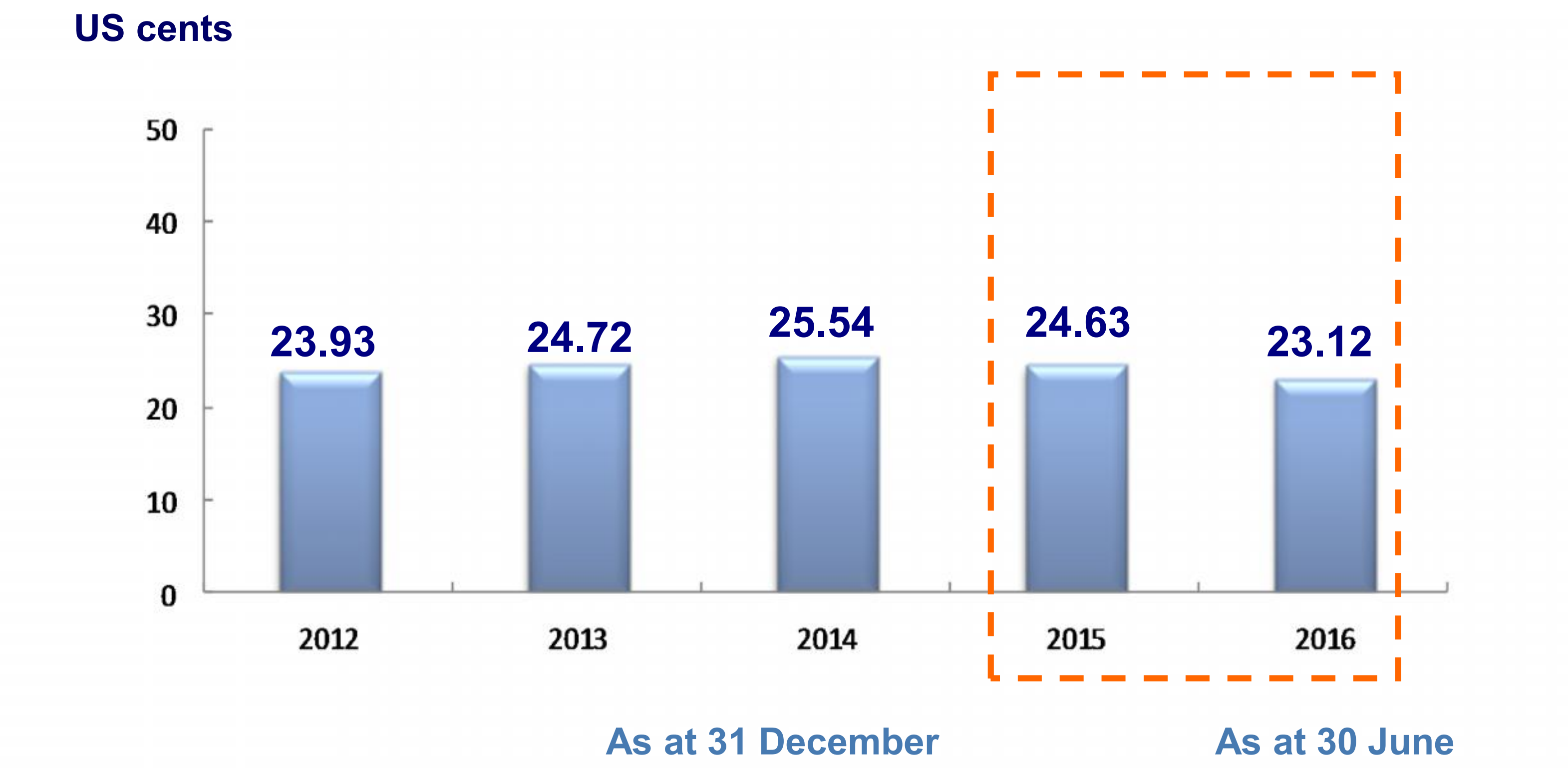
Basic Earnings / Loss per Share



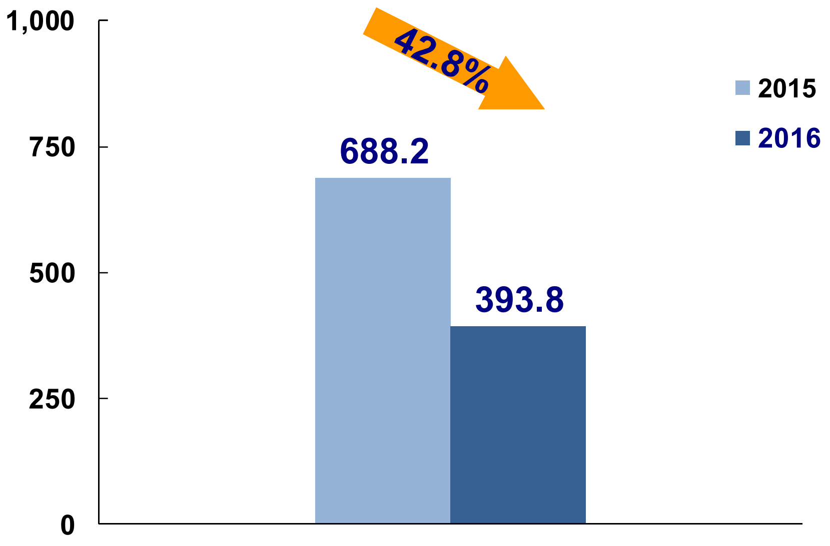
- Basic loss per share was US1.52 cents (1H2015: earning per share of US0.42 cent).
- The Board did not recommend the payment of an interim dividend for 1H2016 (1H2015: HK1.5 cents).

Financial Review:
Net Assets Value per Share

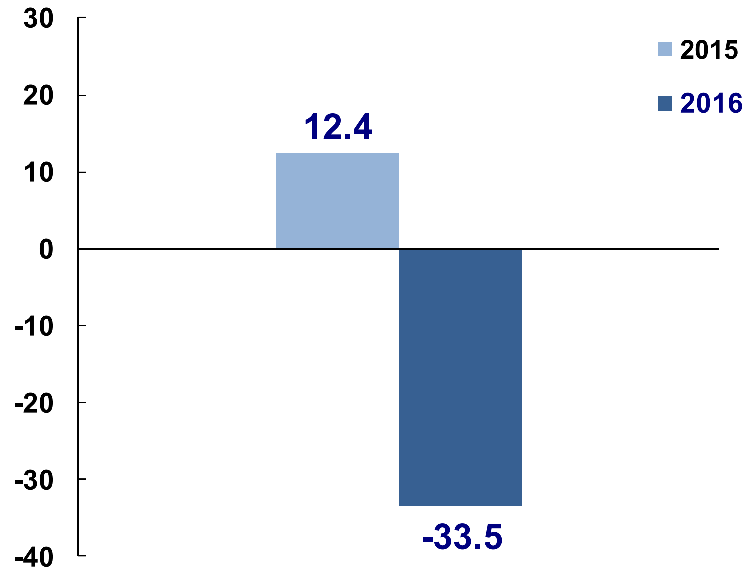


Business Review: Manufacturing

Revenue



Profit / Loss Before Taxation



For the six months ended 30 June 2016

- Revenue decreased by 42.8% to US$393,757,000 (1H 2015: US$ 688,161,000) due to the weak container demand.
- Pretax loss amounting to US$33,520,000, compared with a pretax profit of US$12,373,000 recorded in 1H2015, as a result of ongoing decline in ASP of dry freight containers.

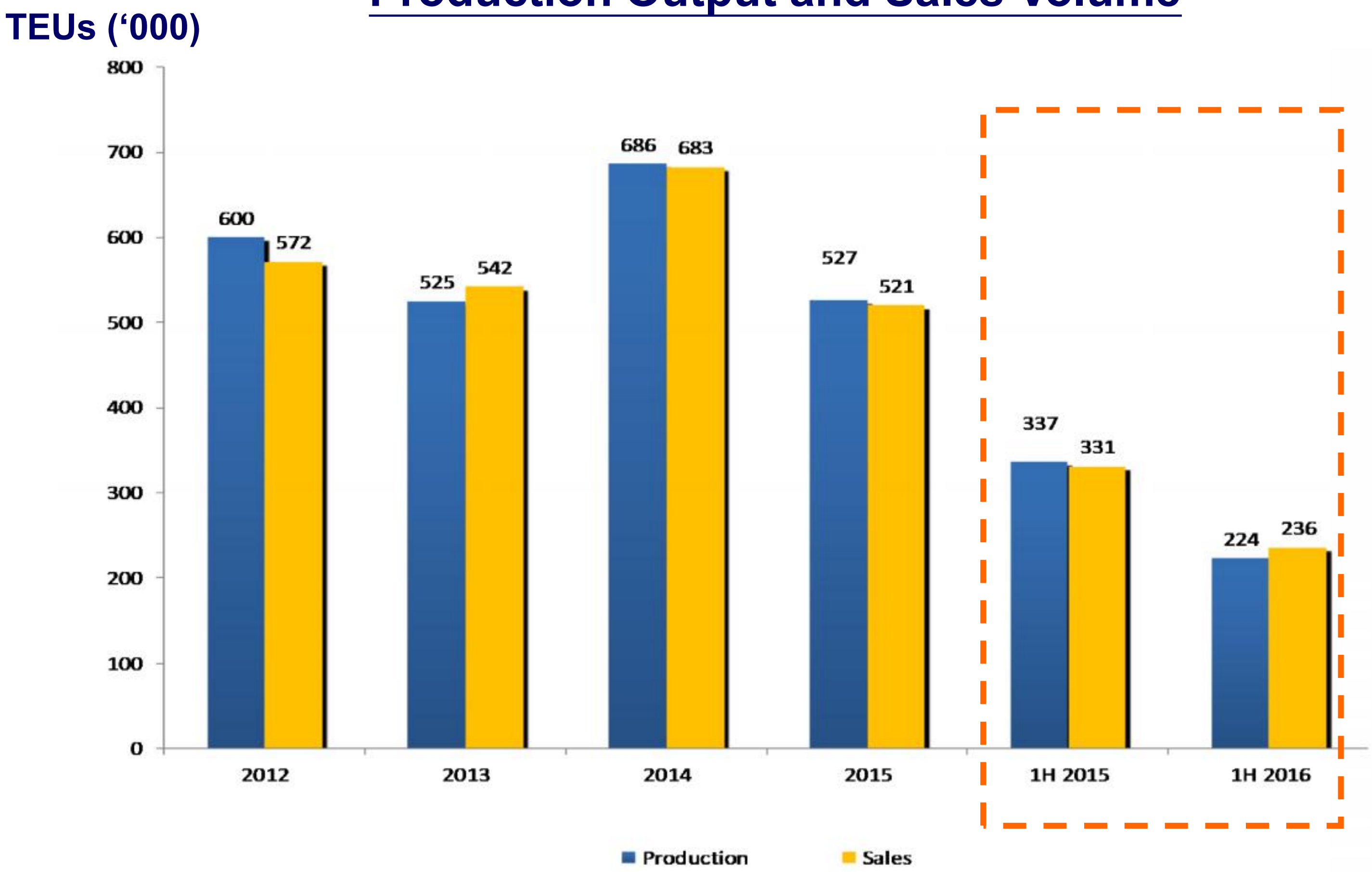
Business Review: Manufacturing

SINGAMAS

Well Managed Production Output and Sales Volume:

- For the six months ended, the Group produced 223,982 TEUs (1H 2015: 336,581 TEUs) and sold 236,388 TEUs (1H 2015: 331,449 TEUs).

Production Output and Sales Volume

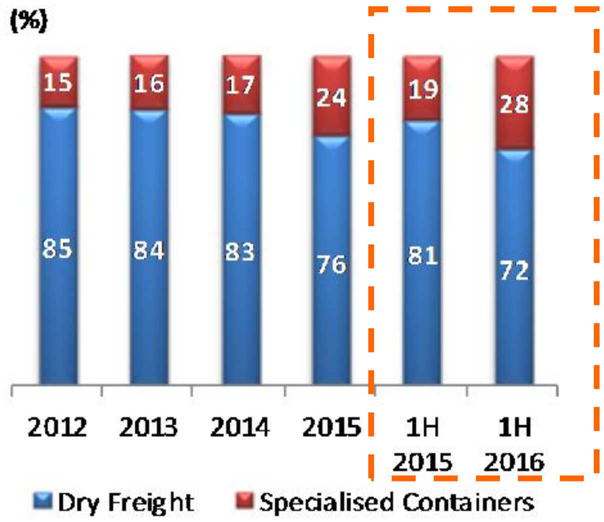


Business Review: Manufacturing

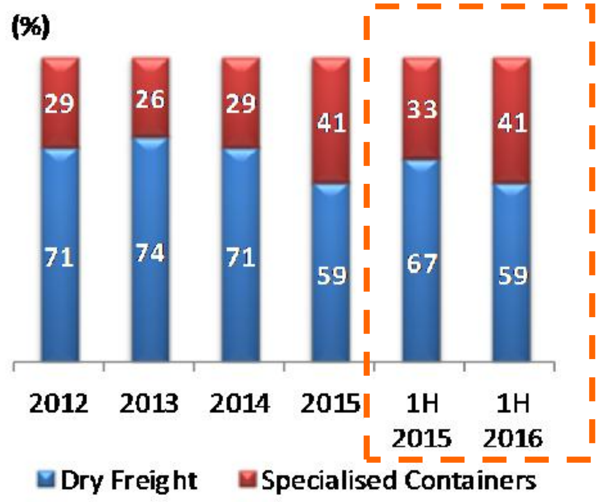
Diversifying Product Mix to Stabilise Income:

- 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 and adjustments were made to certain production facilities to better tap the specialised containers market.
- Revenue breakdown for dry freight and specialised containers in the reporting period was 59% and 41% respectively in 1H 2016 (67% and 33% respectively in 1H2015).

Manufacturing Volume % Breakdown



Sales Revenue % Breakdown



Business Review: Manufacturing

Acquisition of QSOE and Modex Group's manufacturing arm:

- On 24 December 2015, the Group signed an agreement with Modex Group to acquire the remaining 50% equity interest in Qidong Singamas Offshore Equipment Co., Ltd. ("QSOE"), as well as 100% equity interest of Modex Group's manufacturing arm in Taicang ("Modex Taicang"). The transaction has been completed in January 2016.
- Modex Taicang is specialised in producing high value DNV certified cabins and equipment for offshore oil and gas operations.
- Modex Taicang will relocate to Qidong to bring all offshore container manufacturing activities under one roof.
- QSOE has begun developing other high-specification containers to enrich its product mix.

Latest Development of Modex Group:.

- During the review period, offshore container segment has performed less favourably due to the suspension of some oil exploration projects by several petroleum companies, however, the medium to long-term prospect is good as oil price recover.

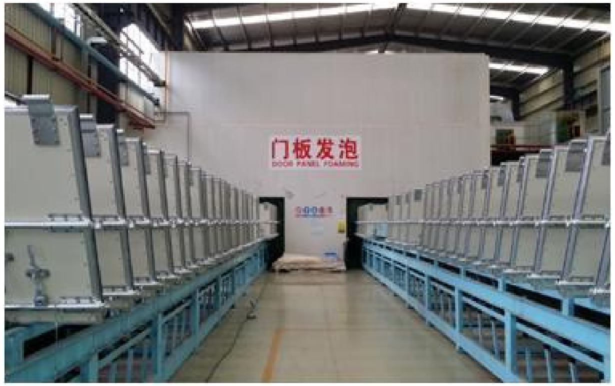
Business Review: Manufacturing

53' Domestic Dry Container Business

- The demand for 53' domestic dry containers was similar to the preceding year; however, the ASP and margin of such containers declined due to intense competition.

News orders from China Railway

- The Group received orders from China Railway for the production of various type of containers. This cooperation is another strategic step towards bolstering its presence in China, where the railway system is being rapidly developed under the country's "One Belt, One Road" initiative.



New factory in Qingdao

- Construction of the new reefer container factory in Qingdao is progressing as scheduled, and expects to commence trial production in the second half of 2017.
- Refrigerated containers demand in Qingdao is strong, this factory will strengthen the Group's competitiveness and better address the delivery requirements of its customers.

Business Review:
Logistics Services – Container Depots & Terminals

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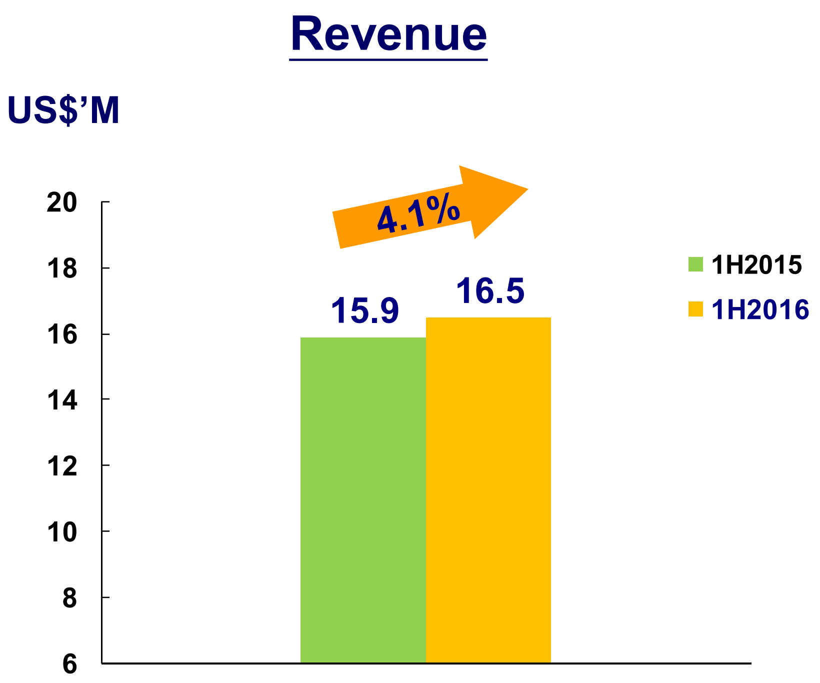

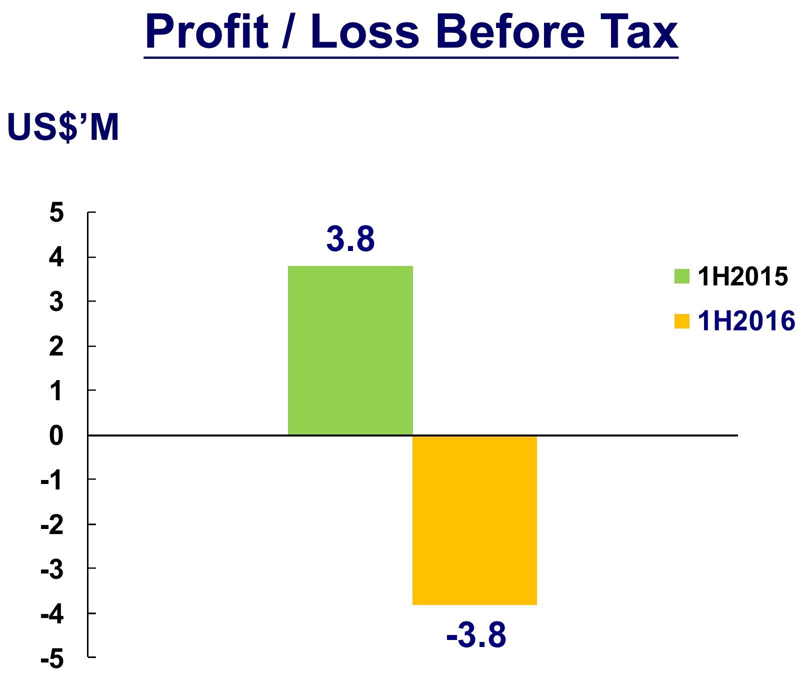

Revenue and Pretax Profit:

- Revenue slightly increased by 4.1% to US$16,520,000 (1H 2015: US$15,868,000).
- The Group made additional compensation of US$6,650,000 in connection with the Tianjin explosions incident out of commercial considerations. As a results, pretax loss amounting to US$3,828,000 , compared with a pretax profit of US$3,829,000 recorded in 1H2015.

Business Review:
Logistics Services – Container Depots & Terminals

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Maintained Stable Handling and Storage Rate:

- A total of 1,709,840 TEUs were handled (1H 2015: 1,568,380 TEUs).
- Average daily container storage rose to 156,360 TEUs (1H 2015: 114,231 TEUs).
- Due to low business volume, the depot in Thailand has stopped operations since January 2016.

Handling, Repair and Storage Volumes

	1H2016			1H2015		
	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs
PRC	1,626,477	297,464	142,822	1,415,127	249,446	101,339
Hong Kong	83,363	25,931	13,538	127,452	35,174	12,060
Thailand	-	-	-	25,801	11,442	832
TOTAL	1,709,840	323,395	156,360	1,568,380	296,062	114,231

Business Review:
Logistics Services – Container Depots & Terminals

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Investment project in Guangxi:

- The Group, Guangxi Beibu Gulf International Port Group Ltd (“Guangxi Beibu Gulf) (廣西北部灣國際港務集團有限公司) and Port of Singapore hold 55%, 35% and 10% stake respectively in a joint venture for the development of a container freight station in Guangxi and to explore further cooperation in container manufacturing and the cold chain logistic business.
- Guangxi is a strategically significant location to benefit from the Chinese government’s One Belt, One Road initiative that will create and promote long 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

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Industry Leadership Capabilities

- Enhanced **Competitiveness and Production Efficiency** through ongoing automation
- Further develop **Higher-margin Specialised Containers** by increasing the product mix
- Continuous effort to develop **New Products** for meeting the ever changing requirements
- **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 2016 US$'000	2015 US$'000
Revenue	**410,277**	704,029
Other income	**1,673**	898
Changes in inventories of finished goods and work in progress	**(20,580)**	(4,744)
Raw materials and consumables used	**(282,065)**	(525,970)
Staff costs	**(58,700)**	(72,451)
Depreciation and amortisation expense	**(17,116)**	(14,416)
Exchange (loss) gain	**(285)**	11,126
Other expenses	**(65,754)**	(77,935)
Finance costs	**(5,205)**	(5,570)
Investment income	**1,627**	2,004
Fair value loss of derivative financial instruments	**(554)**	(636)
Share of results of associates	**(695)**	(390)
Share of results of joint ventures	**29**	257
(Loss) Profit before taxation	**(37,348)**	16,202
Income tax expense	**(744)**	(4,633)
(Loss) Profit for the period	**(38,092)**	11,569
Attributable to:		
Owners of the Company	**(36,619)**	10,079
Non-controlling interests	**(1,473)**	1,490
	(38,092)	11,569
(Loss) Earnings per share		
Basic	**US(1.52) cents**	US0.42 cent
Diluted	**US(1.52) cents**	US0.42 cent

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

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	Six months ended 30 June 2016 US$'000	2015 US$'000
Revenue	**410,277**	704,029
Cost of sales	**393,879**	(647,533)
Gross Profit	**16,398**	56,496
Other income	**1,673**	898
Selling and distribution expenses	**(9,387)**	(18,304)
General and administrative expenses	**(40,949)**	(29,679)
Exchange (loss) gain	**(285)**	11,126
(Loss) Profit from operations	**(32,550)**	20,537
Finance costs	**(5,205)**	(5,570)
Investment income	**1,627**	2,004
Fair value loss of derivative financial instruments	**(554)**	(636)
Share of results of associates	**(695)**	(390)
Share of results of joint ventures	**29**	257
(Loss) Profit before taxation	**(37,348)**	16,202
Income tax expense	**(744)**	(4,633)
(Loss) Profit for the period	**(38,092)**	11,569
Attributable to:		
Owners of the Company	**(36,619)**	10,079
Non-controlling interests	**(1,473)**	1,490
	(38,092)	11,569
(Loss) Earnings per share		
Basic	**US(1.52) cents**	US$0.42 cent
Diluted	**US(1.52) cents**	US$0.42 cent

Comprehensive Container Factory and Depot Network

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- **FACTORIES**
  - Currently the Group has 10 factories with 16 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 now has begun developing other high-specification containers to enrich its product mix
  - The acquisition of 50% equity interest of QSOE and 100% equity interest of Modex Taicang have been completed in Jan 2016. After the acquisition, QSOE and Modex Taicang become the wholly owned subsidiaries of the Group.

- **DEPOTS/TERMINALS**
  - Total yard size of approximate 1.2 million m^2
  - 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

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Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines 2015	No. of Production Lines 2016	Annual Production Capacity TEUs *(Note 1)* 2015	Annual Production Capacity TEUs *(Note 1)* 2016	Products
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	120,000	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	120,000	120,000	■ Dry freight, flatracks and other specialised containers
	Xiamen Pacific (100%) *(Note 1)*	Xiamen	1998	1	1	80,000	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	3	330,000	330,000	■ Dry freight, Refrigerated, US domestic containers and other specialised containers
	Qidong Pacific (100%)	Qidong	2013	***(Note 2)***	***(Note 2)***	***(Note 2)***	***(Note 2)***	■ Refrigerated containers
	Total Container Manufacturing (Note 1)			15	15	1,000,000	1,000,000	

Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines 2015	No. of Production Lines 2016	Annual Production Capacity (units) *(Note 3)* 2015	Annual Production Capacity (units) *(Note 3)* 2016	Products
The PRC	Qidong Offshore (100%)	Qidong	2014	1	1	5,000	5,000	■ Offshore containers

Notes:

1. *Annual production capacity is based on extended single shift.*
2. *Qidong Pacific has been merged into Qidong Singamas in July 2015 to achieve better efficiency.*
3. *The production capacity of Qidong Offshore is based on units, not TEUs.*

Container Depots / Terminals

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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 Depots / Terminals mainly provide container storage, handling, haulage, dry & reefer container maintenance and repair, hanger equipment installation, C.F.S. and etc.
	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	
	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.*