SINGAMAS

Singamas Container Holdings Limited

(incorporated in HK with Limited Liability)
(HKEx stock code: 00716)

2017 Annual Results Announcement

28 March 2018

www.singamas.com

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Agenda

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

Corporate Profile

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- Singamas is **the world's second largest container manufacturer** and a major operator of container depots and terminals.
- Listed on the Hong Kong Stock Exchange since 1993.

Manufacturing Business

- manufactures a wide range of products including dry freight containers and specialised containers.
- 9 factories located in the PRC.
- total annual capacity of around 850,000 TEUs[1] of dry and specialised containers. (based on one extended shift) and 5,000 units of offshore containers.

Logistics Business

- includes container depots/terminals and a logistics company.
- 11 container depots/terminals, 9 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.
- 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 48% of total dry freight container production costs this year as compared with 44% last year.
- Direct labour cost accounted for 7.1% of total production costs in 2017 vs 8.4% in 2016 due to substantial increase in direct material cost.
- To reduce VOC emission, container production in China employed waterborne paint in 2017 to replace traditional solvent borne paint, which caused an increase in average selling price of about US$200 per TEU.
- Size of container fleet worldwide by end of 2017 was estimated to be 39.2 million TEUs (2016: 37.8 million TEUs), supporting 21.10 million TEUs (2016: 20.27 million TEUs) of shipping capacity. (Please refer to slide 11 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.
- ASP of specialised containers and their corresponding margins dropped during the review year due to competition and lower demand.

53' US Domestic Container

Refrigerated Container

Tank Container

Offshore Container

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 Solutions - Transportation

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- Besides traditional containers, Singamas cooperates with customers to offer tailor made design and production to suit customers' requirements.
- Provides innovative, high quality and out-of-boundary container solutions which attract more non traditional shipping and leasing companies to place orders.

Sulfur container for sulfur transportation in Africa

Car racks for facilitating new car transportation

Equipment Container for installing power generator

Container Solutions - Construction

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Office construction in Zhongshan

Office, staff quarters and canteen construction for a resort in Huizhou

Container Solutions - Agriculture

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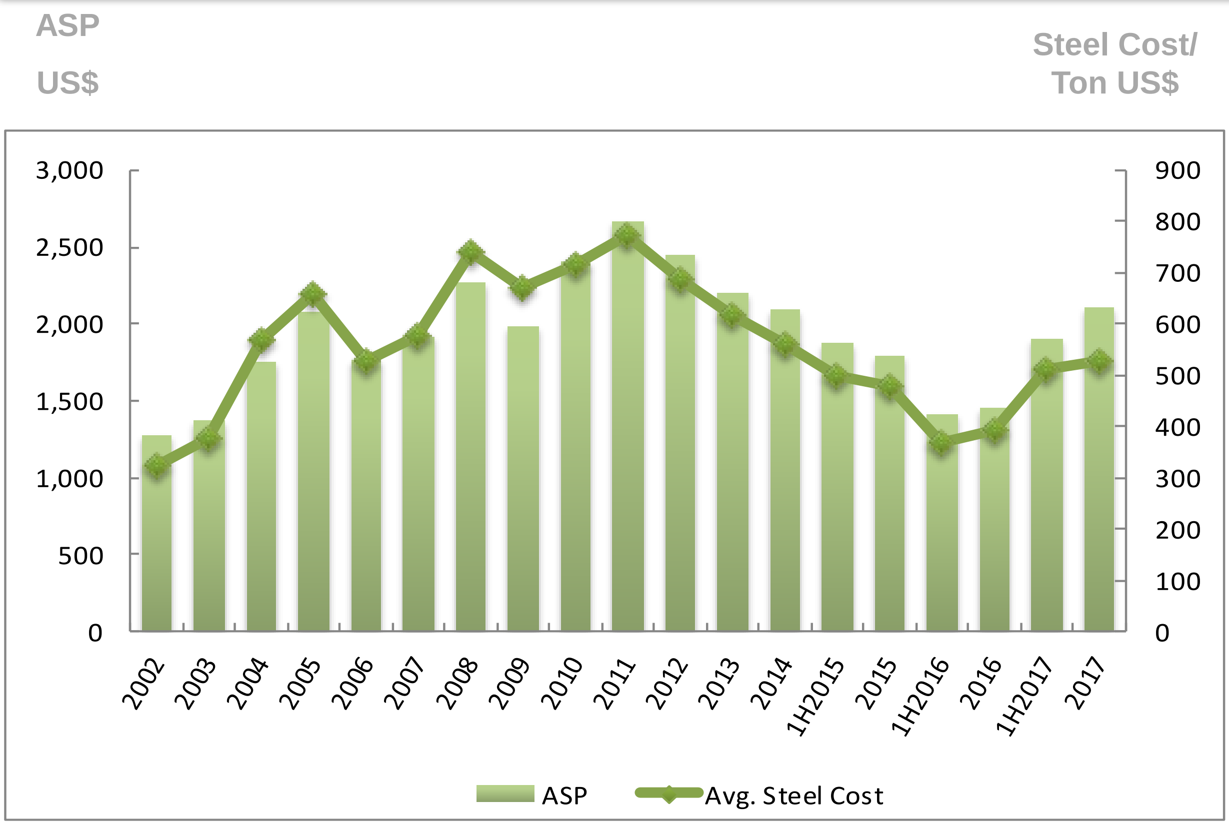
Fish Farming Containers

- ➢ Concept is deemed highly efficient and environmentally friendly as it removes the need to clear land and dig ponds.
- ➢ Selling modified units that can be used for fish farming, as well as other specialised products, as a hedge against cyclical drops in demand.
- ➢ A display center has been set up in Qidong for the demonstration of container fish farming.
- ➢ Delivered to **<u>six</u>** key provinces in China.
    - over 200 units sold to an undisclosed buyer during the review year.

Container Prices vs. Steel Prices

2002 – 2017 20ft. Dry Freight Container[1] Price (ASP[2]) vs. Average Steel Cost Per Ton



Note:

1. one 20' container normally requires 1.7 tons (including wastage) of steel.

2. ASP stands for average selling price of Singamas.

- FY2017 ASP of 20ft dry freight container rise to US$2,102, 44% higher than FY2016's US$1,457.
- The increase reflected strong container demand in 2017 as compared to the market downturn in 2016, and the rise in raw material prices.
- FY2017 average steel cost was US$528/ton, 34.7% higher than FY2016's US$392/ton.
- Steel price strongly picked up in last quarter of 2017 and expected to be stable in 2018.

Container Shipping Fleet Projections 2018-2021

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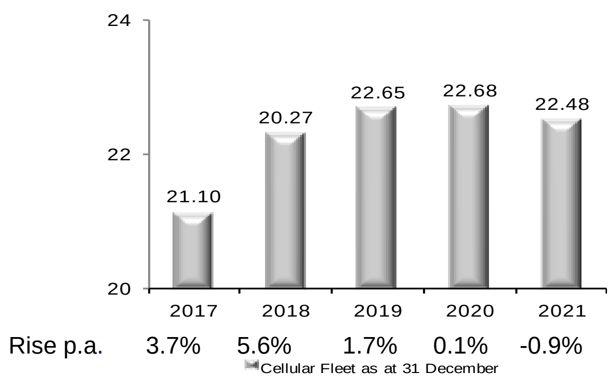
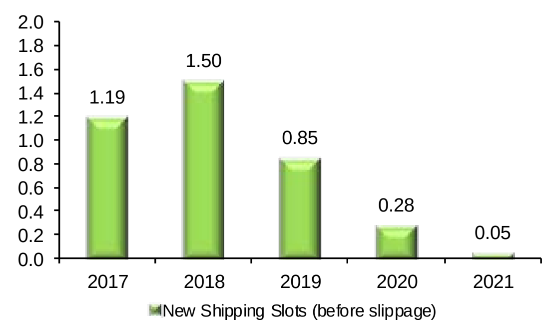
- In normal circumstances, the box to TEU slot ratio is 2x.
- That is, for every one new shipping slot, approximately 2 TEUs of new containers would be required.
- Shipping capacity in December 2016 was 20.27million TEUs, increased to 21.10 million TEUs in December 2017 and projected to increase to 22.68 million TEUs by December 2020 (CAGR: 2.4%).
- New shipping slots supply are expected to reach the peak of 1.50 million TEUs in 2018.

Shipping Capacity (in mil of TEUs)



New Shipping Slots (in mil of TEUs)



Note: Based on order book as at 1 January 2018. 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 teu planned for delivery in 2018 are assumed to be delayed to the following year.; and

ii) Scrappings and de-cellings are estimated to reach 350,000 TEU in 2018, 500,000 TEU in 2019 and 250,000 TEU in 2020.

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

Financial Review: Revenue

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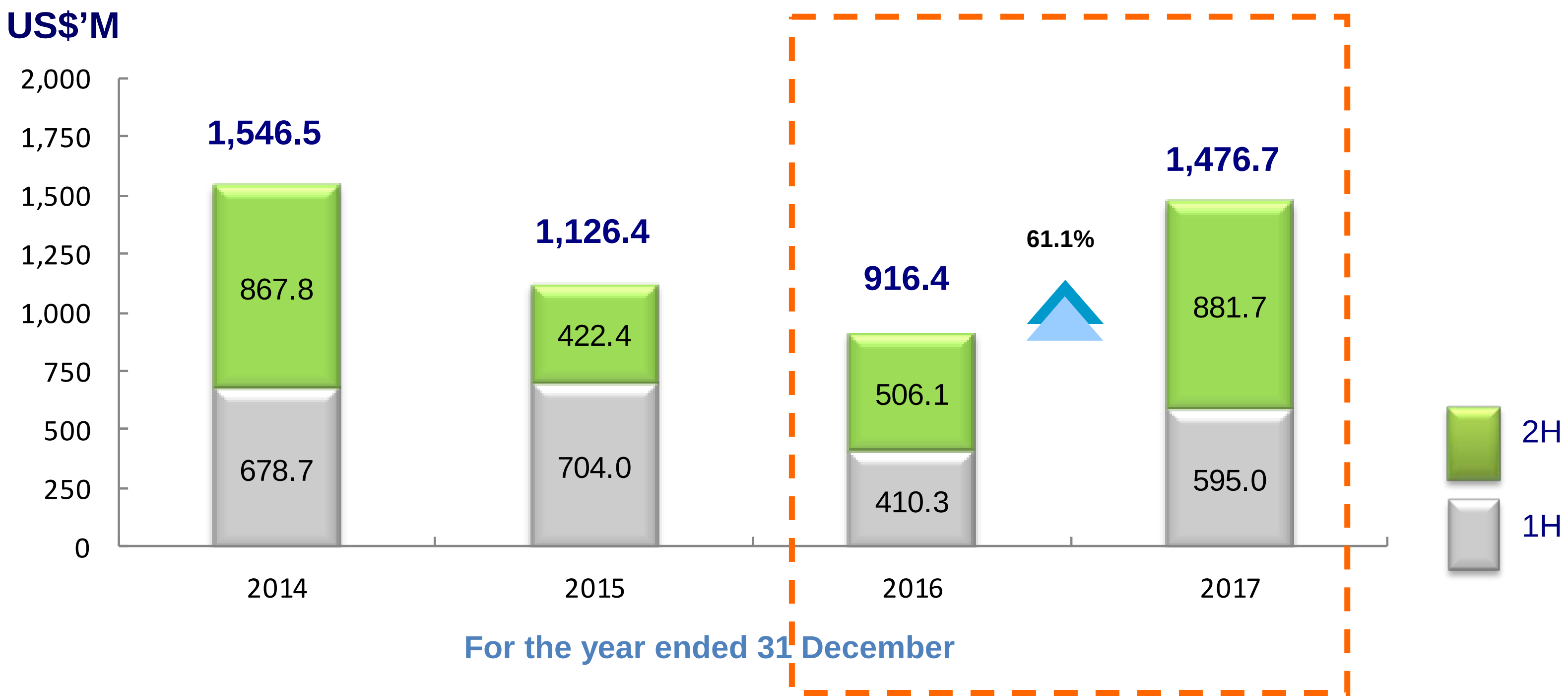

Turnaround in the Group's 2017 performance:

- The global economy improved during the review year, leading to a rise in international trade and shipping volume (particularly in the PRC) which drove demand for containers.
- Due to waterborne paint policy effective from 1 April 2017, large quantities of advance orders were received in 1Q2017.

Consolidated revenue amounted to US$1,476.7 million, an increase of 61.1% over the revenue of US$916.4 million in 2016.

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

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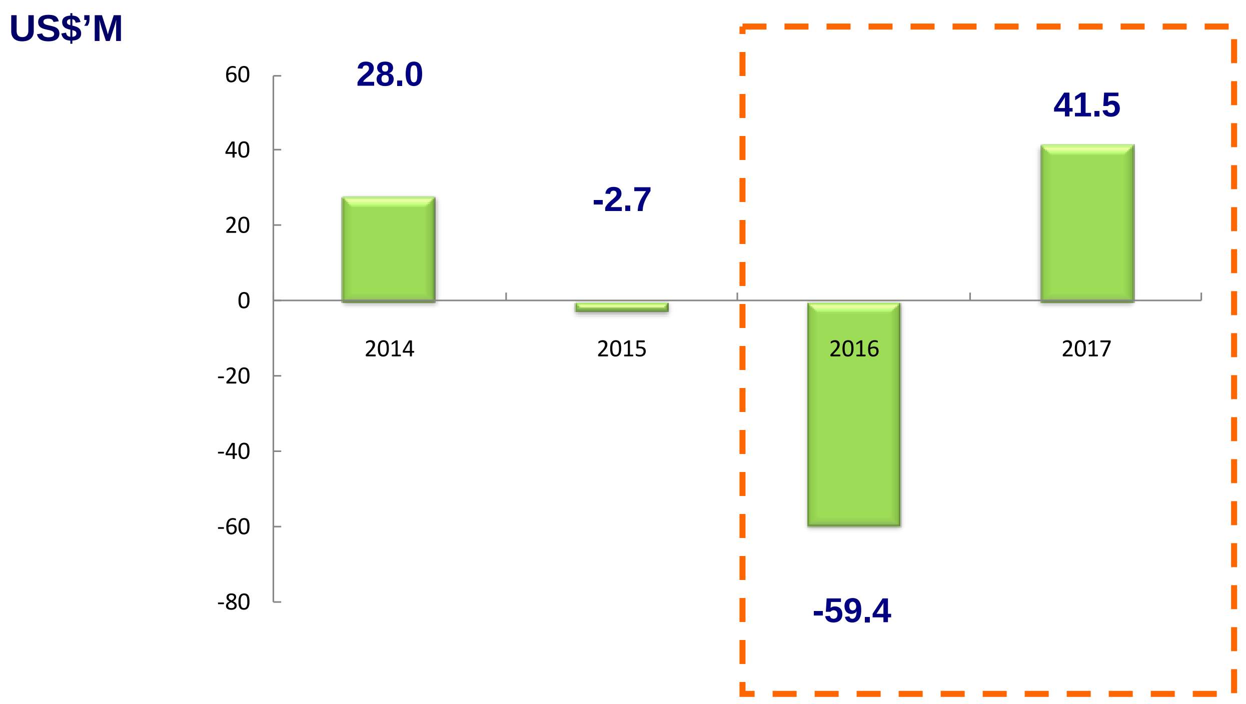

For the year ended 31 December

- Consolidated net profit attributable to owners of the Company reached US$41,452,000, as compared with consolidated net loss of US$59,434,000 in FY2016.

Financial Review:
Basic Earnings / Loss per Share

- Basic earnings per share was US1.72 cents (2016: loss per share of US2.46 cents).
- The Board proposes to pay a final dividend of HK2.5 cents per ordinary share for FY2017 (2016: nil).
  - Including interim dividend of HK1.5 cents per ordinary share (2016: nil), total dividend declare for the year will be HK4 cents per ordinary share (2016: nil).
- Dividend payout ratio for the year : 29.9 % (2016: nil).

Financial Review:
Net Assets Value per Share

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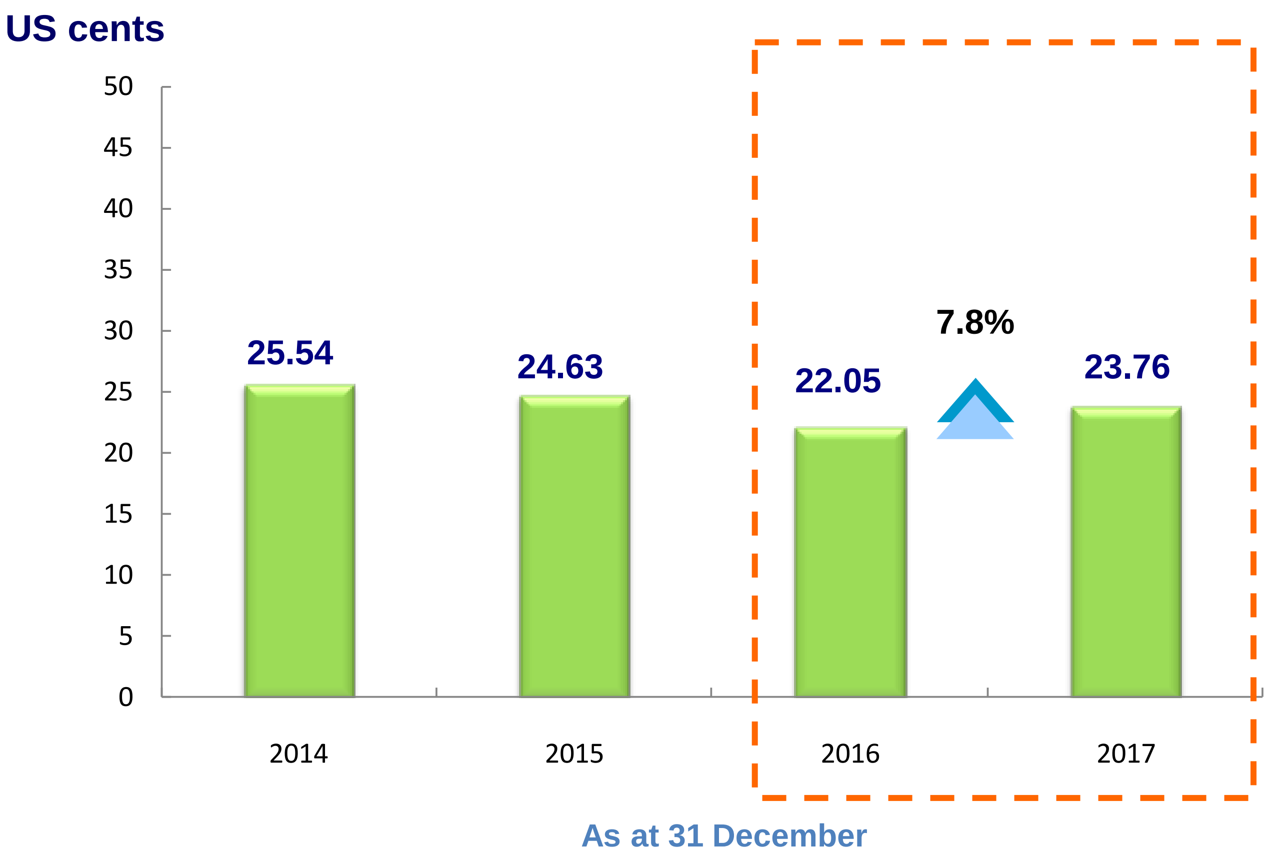

Business Review: Manufacturing

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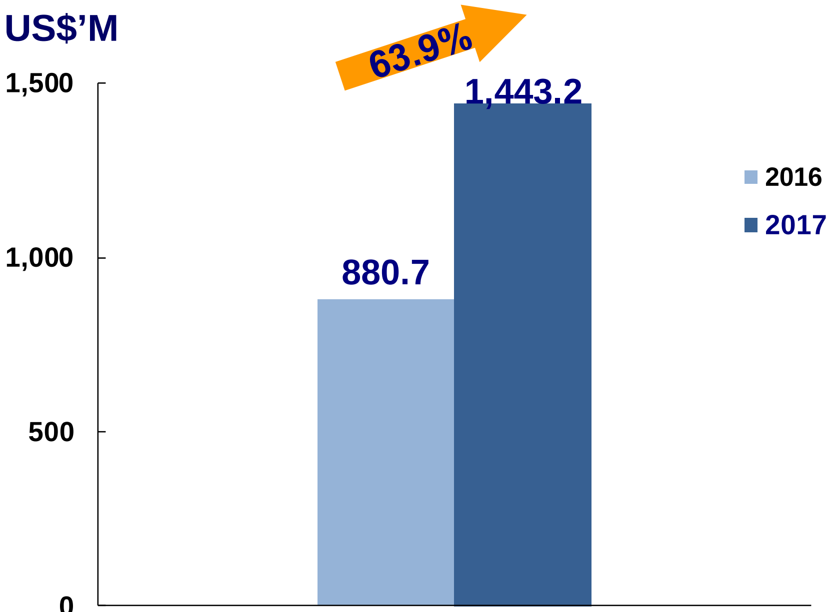
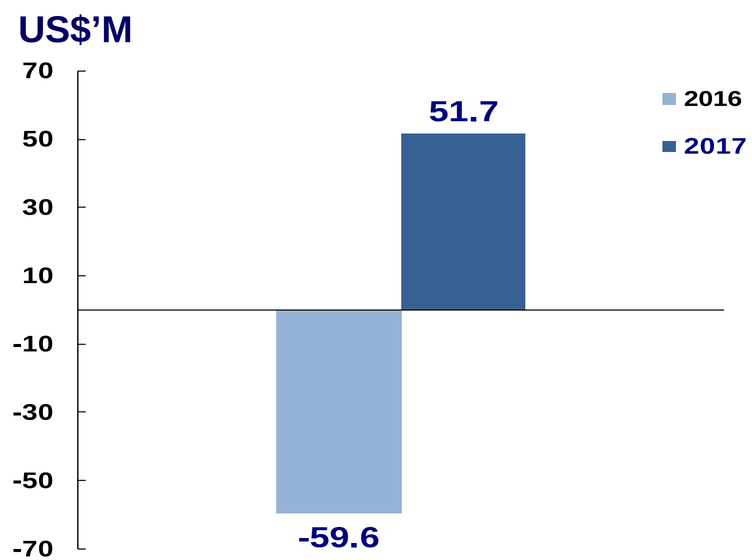
Revenue



Profit / (Loss) Before Taxation



For the year ended 31 December

- Demand for new containers has been gradually rising since end of 2016, initially driven by the corresponding pick up in shipping volume during the year, especially in the PRC.
- Large shipping companies and container leasing operators continued to show interest in purchasing new containers, and demand for replacement of containers were high.
- The Group's manufacturing business was able to perform favourably with revenue rising 63.9% to US$1,443,177,000 (2016: US$880,654,000).
- Pretax profit rose significantly to US$51,655,000, compared with a pretax loss of US$59,607,000 recorded in FY2016.

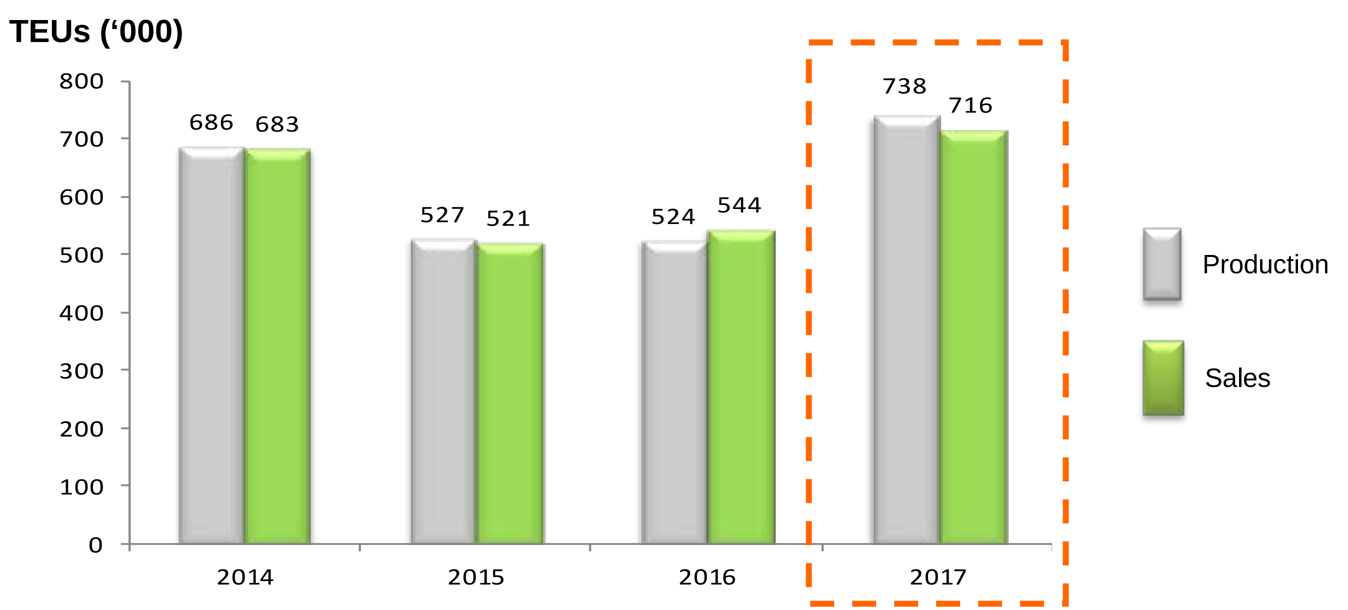
Business Review: Manufacturing

SINGAMAS

Well Managed Production Output and Sales Volume:

- As at 31 December 2017, the Group produced 738,286 TEUs (2016: 523,785 TEUs) and sold 715,733 TEUs (2016: 543,708 TEUs).

Production Output and Sales Volume



For the year ended 31 December

Business Review: Manufacturing

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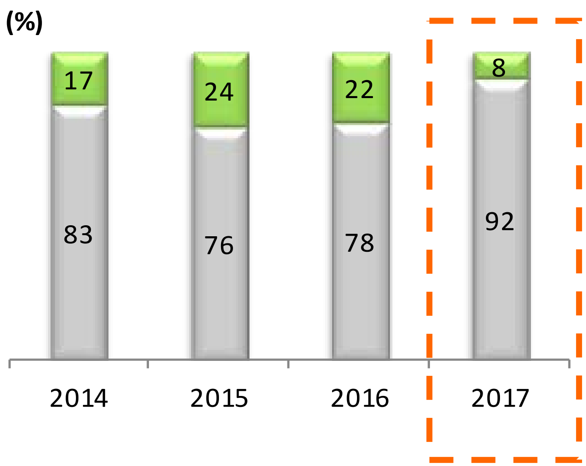
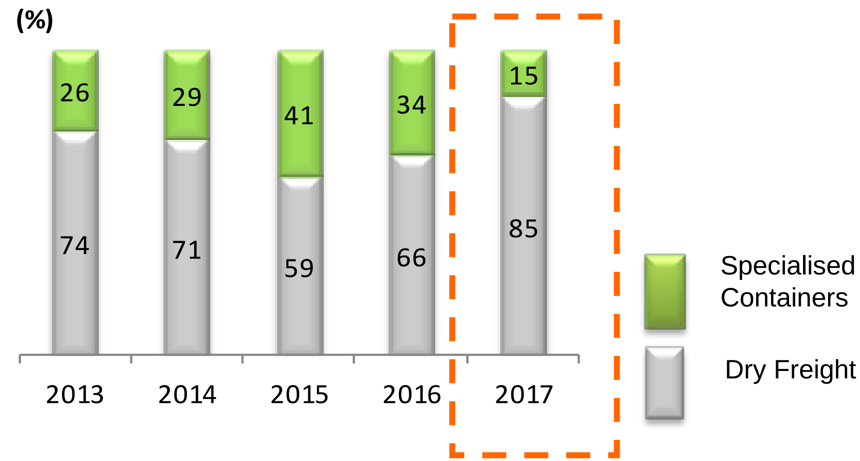
Diversifying Product Mix to Stabilise Income:

- To further diversify its businesses as well as providing a buffer against the trade driven volatile market for dry freight containers.
- 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 was 85% and 15% respectively in 2017 (66% and 34% respectively in 2016). There was strong pick up in dry freight container demand in 2017 and relatively weak in specialised container demand, thus increasing the proportion of the sales in dry freight containers.

Manufacturing Volume % Breakdown



Sales Revenue % Breakdown



For the year ended 31 December

Business Review: Manufacturing

Improved Market Environment Fuelled Growth Momentum

- Corresponding pickup in shipping volume during the year (especially in PRC) has caused demand for new containers to gradually rise in end of 2016.
- Recovering global economy and rise in international trade.
- Large shipping companies and container leasing showed interest in purchasing containers and demand for replacements were high.

Wide range of products to tailor different requirements

- Provided fish farming containers to 6 key provinces in the PRC.

Offshore container business at Qidong factory

- Concluded construction.
- Production of high-standard cabins has shifted to new facilities.

Completed facilities retooling

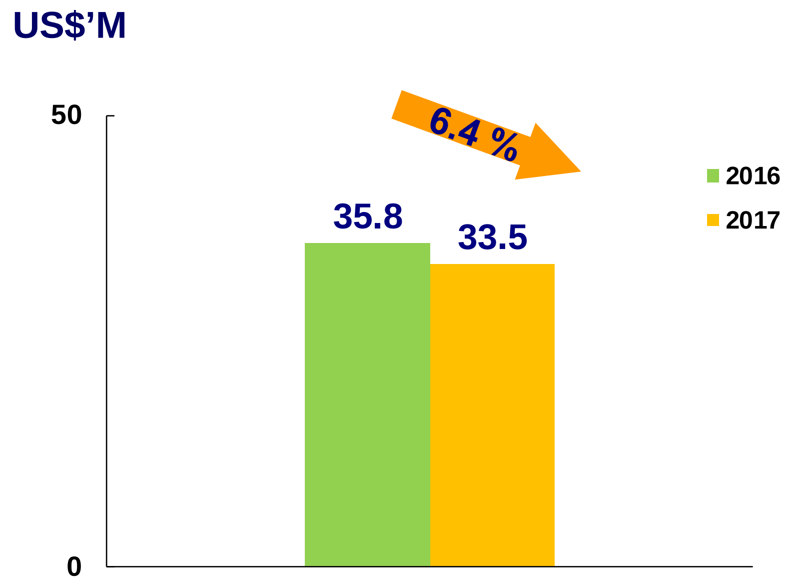
- Completed facilities retooling for dry freight facilities.
- Able to meet production demand for high grade waterborne paint containers.

New reefer factory in Qingdao

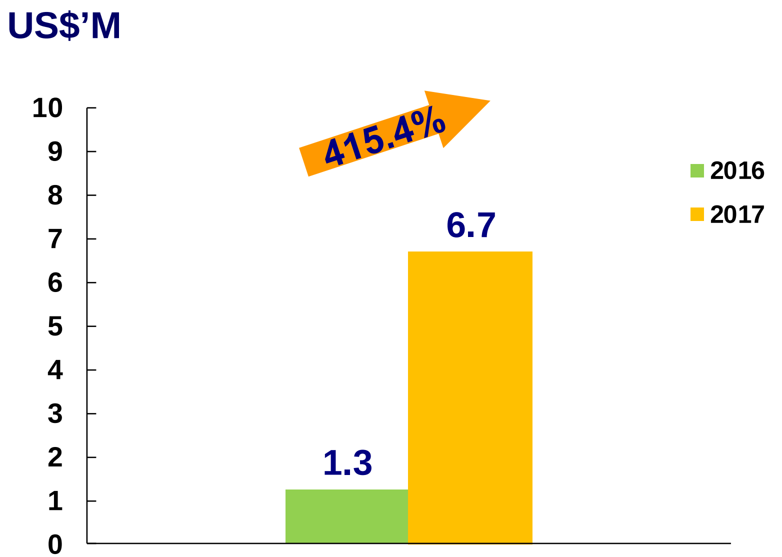
- Completed construction work.
- Trial operation scheduled for 1Q2018 to support refrigerated container business in Northern China.

Business Review: Logistics Services

Revenue



Profit / Loss Before Tax



For the year ended 31 December

Faced headwinds towards 2H2017 and eventually led to revenue decline:

- Revenue decreased marginally by 6.4% to US$33,493,000 (2016: US$ 35,779,000).
- Decline was corresponded with decrease in number of containers handled due to high export demand and therefore less idle containers on the ground.

Pretax Profit:

- Pretax profit amounting to US$6,737,000, compared with a pretax profit of US$1,258,000 recorded in FY2016. (Compensation made in relation to the Tianjin explosion incident amounted to US$6,650,000, net of insurance, in FY2016.)

Business Review: Logistics Services

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Maintained stable handling and storage rate:

- A total of 3,397,000 TEUs were handled (2016: 3,734,000 TEUs).
- Average daily container storage dropped to 88,000 TEUs (2016: 138,000 TEUs).

Despite soft demand, Logistics Services is still considered an integral and complementary service for customers as well as a logical and viable means of expanding the Group's revenue stream.

Handling, Repair and Storage Volumes

	2017			2016		
	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs	Total Handling TEUs	Total Repair TEUs	Daily Storage TEUs
PRC	3,256,994	564,392	82,274	3,557,471	635,383	126,406
Hong Kong	139,809	55,326	5,385	176,550	54,959	11,938
TOTAL	3,396,803	619,718	87,659	3,734,021	690,342	138,344

For the year ended 31 December

Business Review: Logistics Services

Joint Venture

- 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) (35%)
- Singamas Container Holdings Ltd. (55%)
- Port of Singapore (10%)

Investment project in Guangxi:

- Signed joint venture agreement with Guangxi Beibu Gulf and Port of Singapore.
- Reclamation work on a property located in the Guangxi Qinzhou port area continued.
  - *Strategically significant location that will benefit from the PRC Government's "One Belt, One Road" initiative.*
- Although reclamation work and depot construction are scheduled for completion by early 2019, the JV has been providing logistics solutions since November 2017 via a property rented in Qinzhou.

Joint Venture

- Singamas Container Holdings Ltd. (30%)
- ApolloLogisolutions Ltd. (70%)

Liquid tank logistics business in India:

- Signed joint venture agreement with Apollo Logisolutions Limited in March 2017 to establish a liquid tank logistics operation for industrial chemical liquid in India.
- An order for 270 tank containers had been produced by the Group's tank factory and delivered to India in September 2017.
- In January 2018, the JV has commenced logistics operation of transporting liquid by tanks on railway.

Introduction of New Product

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PrimeLINE One™ Refrigerated Container

- Jointly developed with Carrier Transicold.
- Expanded options for best refrigerated container solution.
- Assembled into custom-configured Singamas containers in new Carrier Transicold factory in Qingdao, China.

Specifications

- All-in-one design.
- Assembled on-site in streamlined assembly process.
- Optimised lead time based on location.
- Alternative approach to traditional method.

About Carrier Transicold

- Industry leader in refrigeration engineering
- Part of UTC Climate, Controls & Security, a unit of United Technologies Corp.

Carrier
TRANSICOLD
United Technologies

Industry Prospects

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Ongoing recovery in investment, manufacturing and trade

Commodity exporting developing economies benefit from firming commodity prices

World Bank forecasted 3.1% growth in global economy

International Monetary Fund forecasted 3.9% growth in global economy

Cellular fleet growth forecasted to rise by 5.6%
yet additional stimuli will come by way of shipping and leasing

Future Plans

SINGAMAS

- Cautious optimism for 2018 with ***Dry Freight Containers*** as primary and stable source of revenue
- ***Higher-Margin Specialised Containers***
  ✓ Qingdao production lines commenced operation in March 2018
- Continuous effort to develop ***New Products***
  ✓ Introduced fish farming containers in 2017
  ✓ Introduced assembled-on-site refrigerated containers in 2018 (jointly developed with Carrier Transicold)
- Strengthen ***Offshore Container Business***
- Maintain ***High Product Quality*** and sustainable development
- Bolster ***R&D Capabilities***
- Enhance ***Competitiveness and Production Efficiency***
- Strengthen ***Market Network and Global Reputation***
- Further enhance ***Logistics Business***

APPENDICES

Consolidated Income Statement I (Classification of Expenses by Nature)

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	For the year ended 31 December 2017 US$'000	2016 US$'000
Revenue	**1,476,670**	916,433
Other income	**6,228**	7,293
Changes in inventories of finished goods and work in progress	**86,953**	(32,262)
Raw materials and consumables used	**(1,141,145)**	(657,330)
Staff costs	**(157,525)**	(129,049)
Depreciation and amortisation expense	**(32,428)**	(33,741)
Exchange (loss) gain	**(10,866)**	1,042
Other expenses	**(157,235)**	(122,024)
Finance costs	**(14,434)**	(11,060)
Investment income	**2,765**	2,764
Fair value gain of derivative financial instruments	**756**	376
Share of results of associates	**(1,745)**	(1,201)
Share of results of joint ventures	**398**	410
Profit (loss) before taxation	**58,392**	(58,349)
Income tax expense	**(14,952)**	(3,571)
Profit (loss) for the year	**43,440**	(61,920)
Attributable to:		
Owners of the Company	**41,452**	(59,434)
Non-controlling interests	**1,988**	(2,486)
	43,440	(61,920)
Profit (loss) per share		
Basic	**US1.72 cents**	US(2.46) cents
Diluted	**US1.72 cents**	US(2.46) cents

Consolidated Income Statement II (Classification of Expenses by Function)

SINGAMAS

(For Reference Only)

	For the year ended 31 December 2017 US$'000	2016 US$'000
Revenue	**1,476,670**	916,433
Cost of sales	**1,296,020**	875,784
Gross Profit	**180,650**	40,649
Other income	**6,228**	7,293
Selling and distribution expenses	**(33,408)**	(24,660)
General and administrative expenses	**(71,952)**	(73,962)
Exchange (loss) gain	**(10,866)**	1,042
Profit (loss) from operations	**70,652**	(49,638)
Finance costs	**(14,434)**	(11,060)
Investment income	**2,765**	2,764
Fair value gain of derivative financial instruments	**756**	376
Share of results of associates	**(1,745)**	(1,201)
Share of results of joint ventures	**398**	410
Profit (loss) before taxation	**58,392**	(58,349)
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	43,440	(61,920)
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Basic	**US1.72 cents**	US(2.46) cents
Diluted	**US1.72 cents**	US(2.46) cents

Comprehensive Container Factory and Depot Network

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- **FACTORIES**
  - Currently the Group has 9 factories with 14 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.
  - New production facility in Qingdao is ready for producing high graded refrigerated containers.

- **DEPOTS/TERMINALS**
  - Total yard size of approximate 1.3 million m^2.
  - Total storage capacity of approximate 190,000 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
					2016	2017	
The PRC	Tianjin Pacific (97%)	Tianjin	2002	-	80,000	-	Suspended production
	Qingdao Pacific (100%) *(Note 2)*	Qindao	2004	3	120,000	170,000	Dry freight, Refrigerated, US domestic containers and other specialised containers
	Singamas Container Industry (75%)	Yixing	1994	1	30,000	10,000	Flatracks, bitutainers, pallet-wide containers, log carriers, other specialised containers and container components
	Shanghai Pacific (64.9%)	Shanghai	1990	1	10,000	10,000	Standard and offshore tank containers
	Shanghai Baoshan (77.2%)	Shanghai	2003	2	120,000	90,000	Dry freight, flatracks and other specialised containers
	Xiamen Pacific (100%)	Xiamen	1998	1	80,000	70,000	Dry freight containers
	Hui Zhou Pacific (91%)	Hui Zhou	2006	1	120,000	110,000	Dry freight, US domestic containers and other specialised containers
	Ningbo Pacific (100%)	Ningbo	2006	1	110,000	110,000	Dry freight containers
	Qidong Singamas (100%) *(Note 3)*	Qidong	2012	3	330,000	280,000	Dry freight, Refrigerated, US domestic containers and other specialised containers
Total Container Manufacturing (Note 1)				13	1,000,000	850,000	

Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines	Annual Production Capacity (units) *(Note 4)*		Products
					2016	2017	
The PRC	Qidong Offshore (100%)	Qidong	2014	1	5,000	5,000	Offshore containers

Notes:

1. Annual production capacity is based on extended single shift. From April 2017 onwards, all dry freight containers and part of the specialised containers are required to apply water-borne paint.

2. Production capacity of Qingdao Pacific including the capacity to produce 110,000 Teus of dry and specialised containers and 60,000 Teus of refrigerated containers.

3. Production capacity of Qidong Singamas including the capacity to produce 220,000 Teus of dry freight and specialised containers and 60,000 Teus of refrigerated containers.

4. 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	16,000 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	160,000 sq. m	17,000 TEUs	
	Qingdao(60%)	1994	144,000 sq. m	17,000 TEUs	
	Shanghai (40%)	2013	136,600 sq. m	13,700 TEUs	
	Qidong (100%)	2012	124,000 sq. m.	41,070 TEUs	
	Ningbo (40%)	1995	148,300 sq. m	25,000 TEUs	
	Xiamen (35%)	1996	282,200 sq. m	38,000 TEUs	
	Fuzhou (40%)	2003	91,500 sq. m	11,500 TEUs	
	Guangxi (55%)	2017	10,000 sq, m	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	
		Total	**1,325,100 sq.m**	**190,270 TEUs**	

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