Singamas Container Holdings Limited

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

2018 Annual Results Announcement

26 March 2019

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 50% of total dry freight container production costs this year as compared with 48% last year.
- Direct labour cost accounted for 6.7% of total production costs in 2018 vs 7.1% in 2017 due to substantial increase in direct material cost.
- Size of container fleet worldwide by end of 2018 was estimated to be 41.5 million TEUs (2017: 39.2 million TEUs), supporting 22.32 million TEUs (2017: 21.10 million TEUs) of shipping capacity. (Please refer to slide 13 for more details)
- Trade tensions between the US and the PRC remain unsettled and pose uncertainties to the industry in 2019.This may in turn affect the demand of new dry freight containers.

Specialised Container Industry Dynamics

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- Although ASP and demand of specialised containers increased, corresponding margins dropped during the review period due to competition and fluctuation in material costs.
- Rise in segmental revenue contributed from 53' US domestic container and reefer containers.
- Other specialised containers such as flatrack containers and power generator containers enjoyed strong pickup from both domestic and foreign customers.

53' US Domestic Container

Refrigerated Container

Tank Container

Offshore Container

Platform Container

Open-side Container

Open top Container

Singatech (Flatrack) Container

Bitutainer

20' Waste Container

Half-height Container

Bulk Container

Specialised Container – Refrigerated Containers

PrimeLINE One™ Refrigerated Container

- Jointly developed with Carrier Transicold and launched in 2nd half of 2018.
  - Received an order by a major container leasing company for one thousand units in 4Q2018
- Assembled on-site refrigerator container, an alternative approach to traditional method and expanded options for best refrigerated container solution.
- Exclusively assembled at a new Carrier Transicold facility next to Singamas' refrigerated container plant in Qingdao, China.

Container Solutions – Transportation and Storage

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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 unconventional container solutions which attract more non-traditional shipping and leasing companies to place orders.

Equipment Container (power generator installation)

Sulfur container (sulfur transportation to Africa)

Mini-box Containers

Power Generator Containers

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Container for use in Antarctica

- Provides containers for the use in Chinese research stations in Antarctica
- Including tank containers for liquid storage and house containers as working complex cum living quarter.
- Tailor made dimensions to suit the project requirements.
- Higher resistance against extreme weather.

Container Solutions - Construction

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New Development project in Guangxi

Container restaurant in Dongguan

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Fish tanks for fish farming anywhere

- Highly efficient and environmentally friendly as fish farming containers do not require clearing of land or digging ponds.
- Delivered to the key provinces in China.

Container Prices vs. Steel Prices

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2003 – 2018 20ft. Dry Freight Container[1] Price (ASP[2]) vs. Average Steel Cost Per Ton

- FY2018 ASP of 20ft dry freight container rise to US$2,157, 2.6% higher than FY2017's US$2,102.
- The increase reflected the increase in material costs, especially for corten steel.
- FY2018 average steel cost was US$607/ton, 15.0% higher than FY2017's US$528/ton.
- Steel price dropped significantly in last quarter of 2018 and expected to be steadily increased in 2019.

Note:

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

2. ASP stands for average selling price of Singamas.

Container Shipping Fleet Projections 2019-2021

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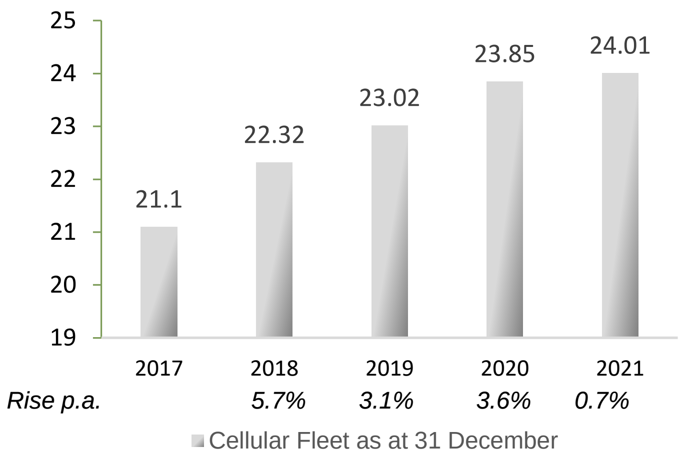
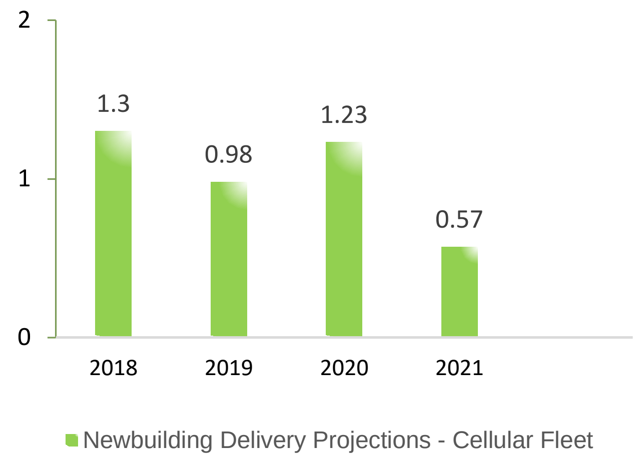
- In normal circumstances, the box to TEU slot ratio is 2x.
- That is, for every one new shipping slot, approximately 2 TEUs of new containers would be required.
- Shipping capacity in December 2018 was 22.32 million and projected to increase to 24.01 million TEUs by December 2021 (CAGR: 2.46%).

Shipping Capacity (in mil of TEUs)



New Shipping Slots (in mil of TEUs)



Note: Based on order book as at 1 March 2019. 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 2019 are assumed to be delayed to the following year.; and

ii) Scrappings and de-cellings are estimated to reach 350,000 TEU in 2019, 400,000 TEU in 2020 and 400,000 TEU in 2021.

Source: Alphaliner, a worldwide reference in liner shipping intelligence.

Financial Review: Revenue

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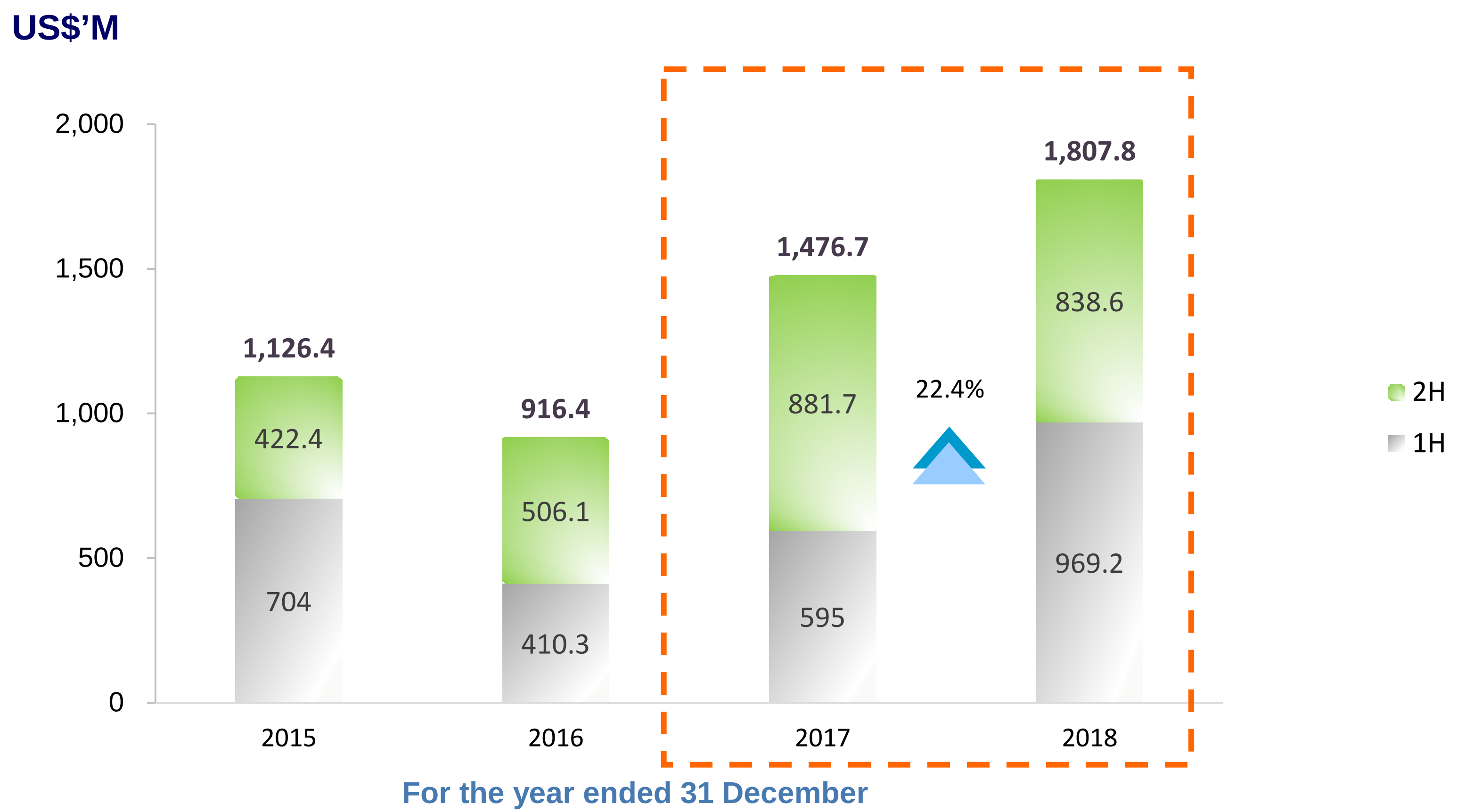

The Group's performance in 2018:

- Demand for dry freight containers has remained satisfactory during the review year, contributing to rise in revenue of the Group's manufacturing business despite slowdown in global economic expansion.
- Consolidated revenue amounted to US$1,807.8 million, an increase of 22.4% over the revenue of US$1,476.7 million in 2017.

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

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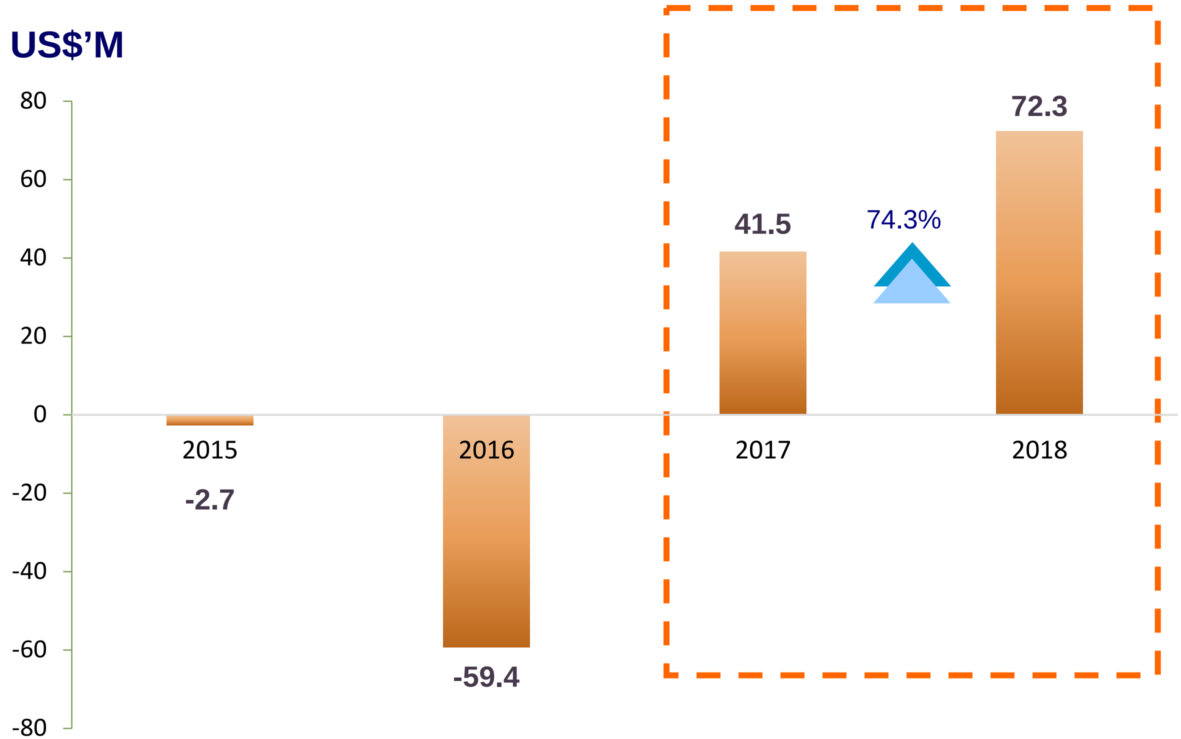
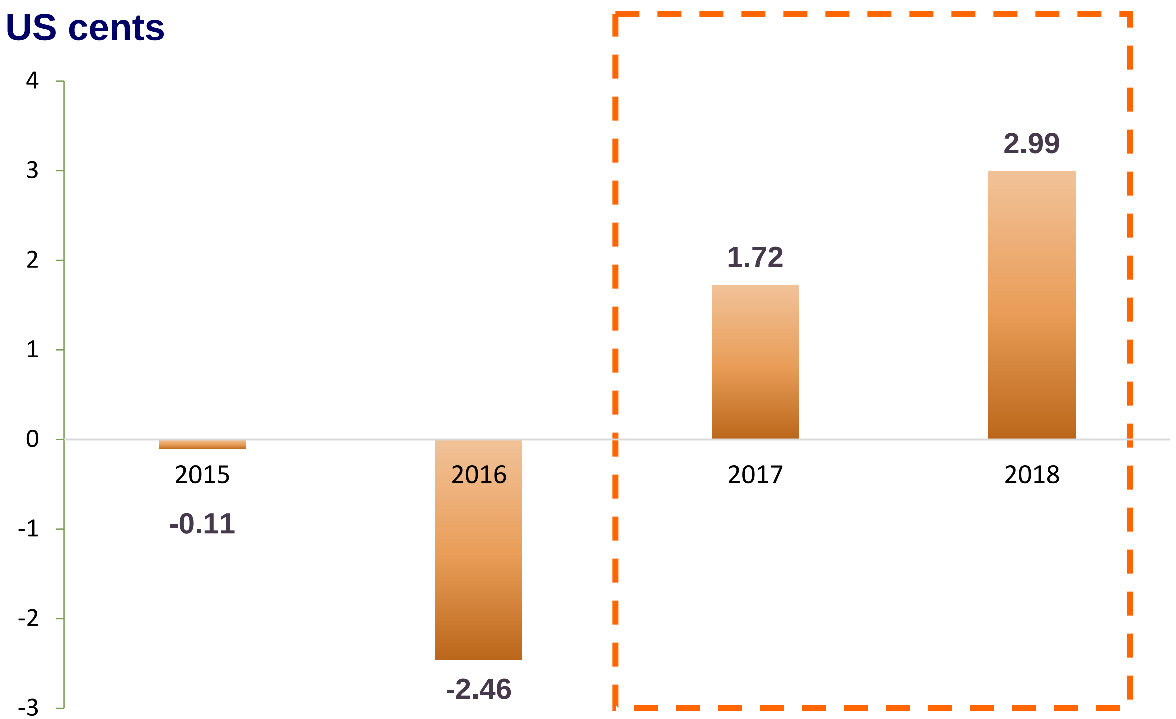


For the year ended 31 December

- Consolidated net profit attributable to owners of the Company was up by 74.3% reaching US$72.25 million, as compared with consolidated net profit of US$41.45 million in FY2017.
- The Group benefited from a one-time gain of approximately US$65.60 million from the disposal of Hui Zhou Pacific Container Co., Ltd. (a wholly-owned subsidiary)
  - Excluding this extraordinary gain from disposal, net profit from core operation was US$6.65 million.

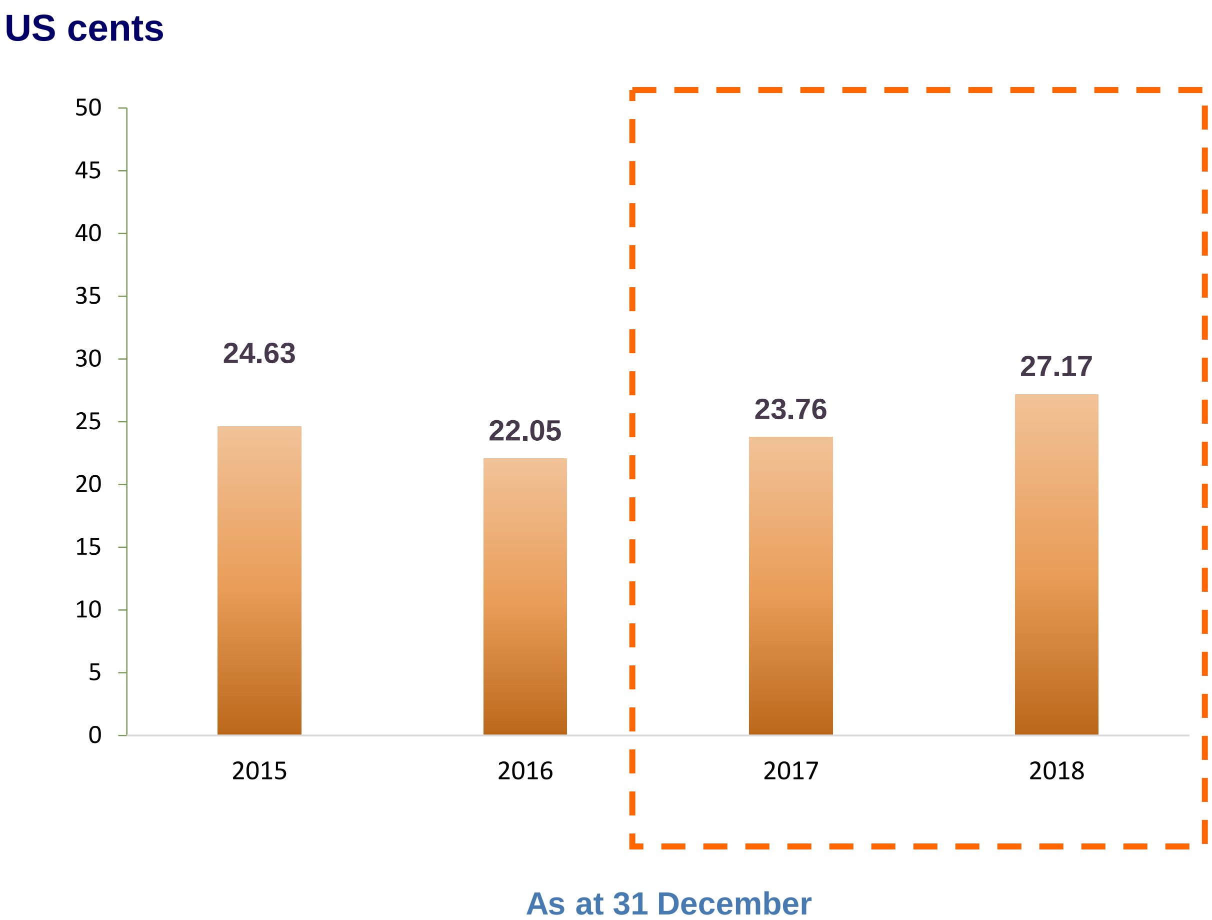
Financial Review: Basic Earnings / Loss per Share



For the year ended 31 December

- Basic earnings per share was US2.99 cents (2017: earnings per share of US1.72 cents).
- The Board proposes to pay a final dividend of HK7 cents per ordinary share for FY2018 (2017: HK2.5 cents per ordinary share).
  - *No payment of interim dividend was recommended for the six months ended 30 June 2018 (six months ended 30 June 2017: HK 1.5 cents per ordinary share)*
  - *Total dividend for the year will be HK7 cents per ordinary share (2017: HK4 cents per ordinary share)*
- Dividend payout ratio for the year: 29.9% (2017: 29.9%).

Financial Review:
Net Assets Value per Share



Business Review: Manufacturing

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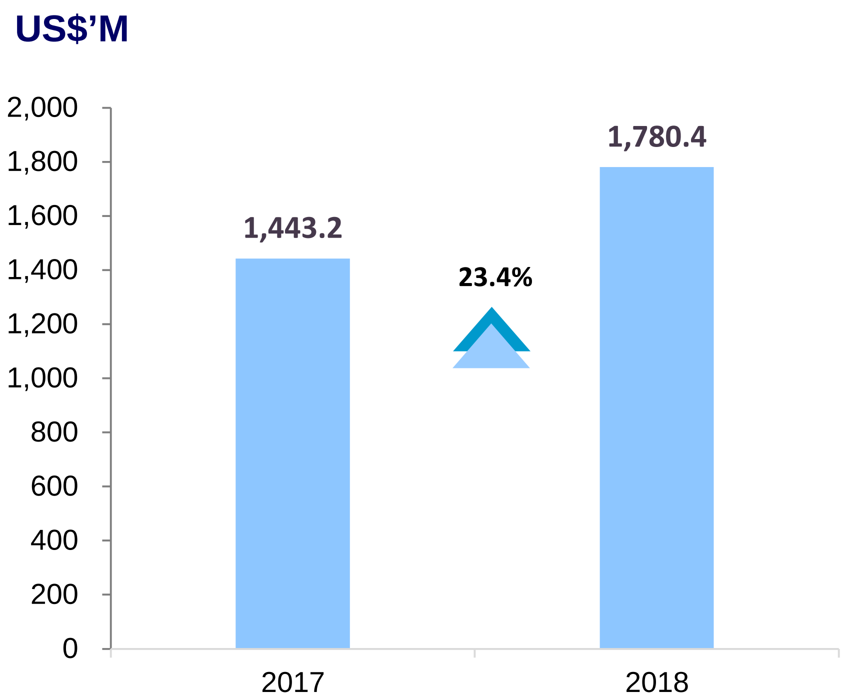
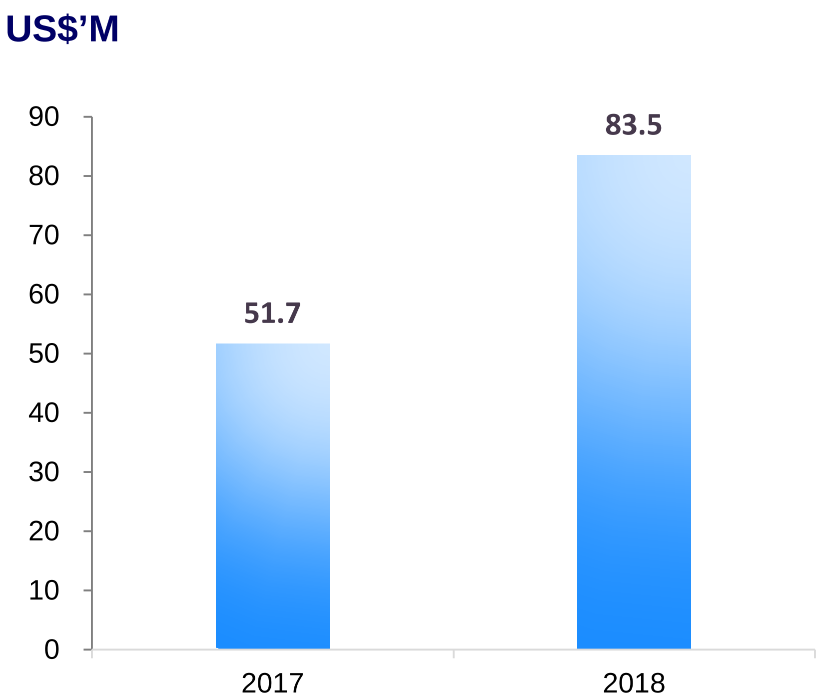
Revenue



Profit Before Taxation



For the year ended 31 December

- The Group's manufacturing business was able to perform favourably with revenue rising 23.4% to US$1,780,404,000 (2017: US$1,443,177,000).
- Nonetheless, due to the increase in material costs, while the increase were not entirely passed to the customers as competition remained keen during the year,
  - If excluding the one-off gain on disposal of subsidiary, pretax profit declined to US$17,912,000, compared with a pretax profit of US$51,655,000 in FY2017.

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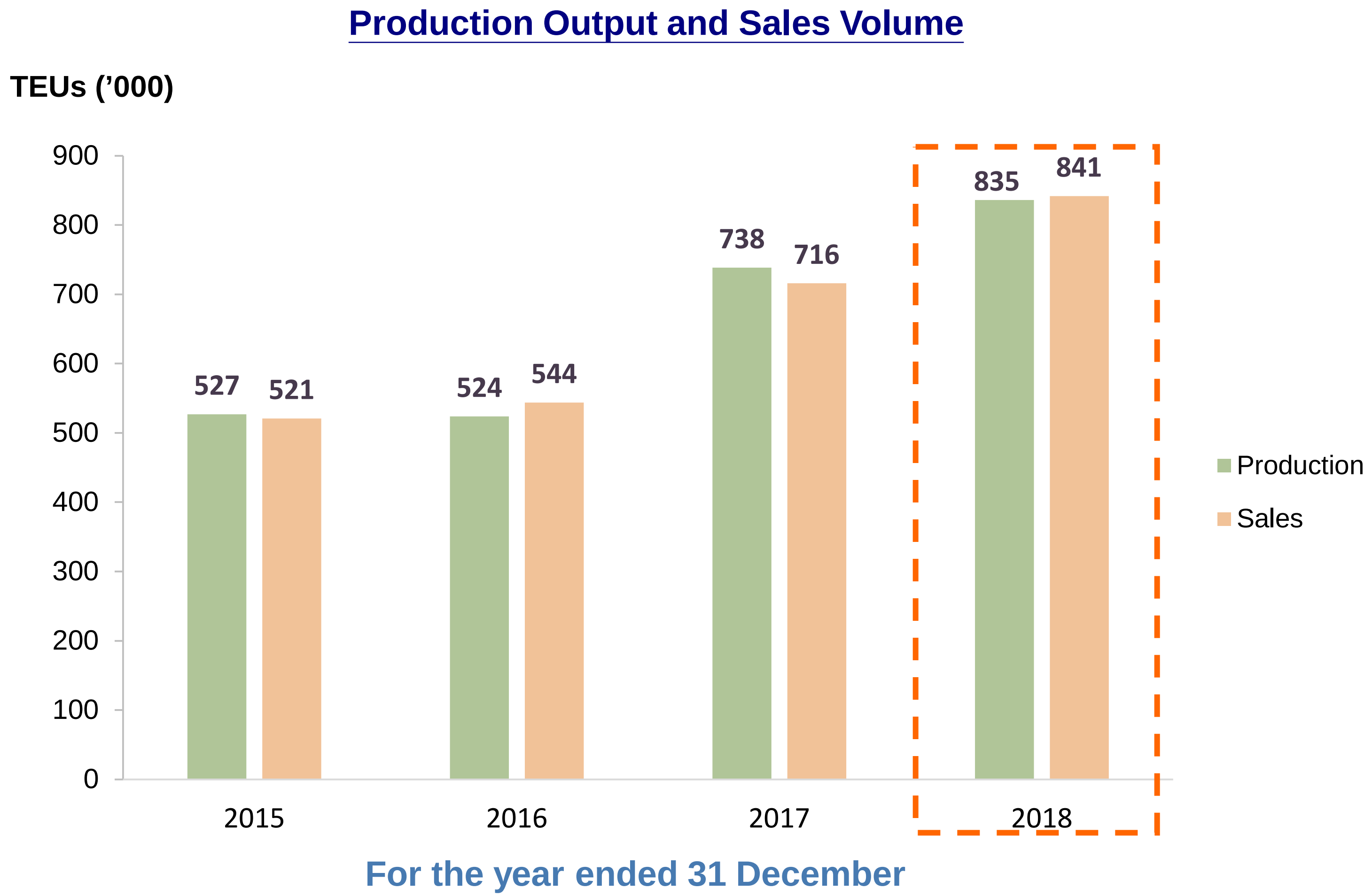
Well Managed Production Output and Sales Volume:

- As at 31 December 2018, the Group produced 835,920 TEUs (2017: 738,286 TEUs) and sold 841,615 TEUs (2017: 715,733 TEUs).

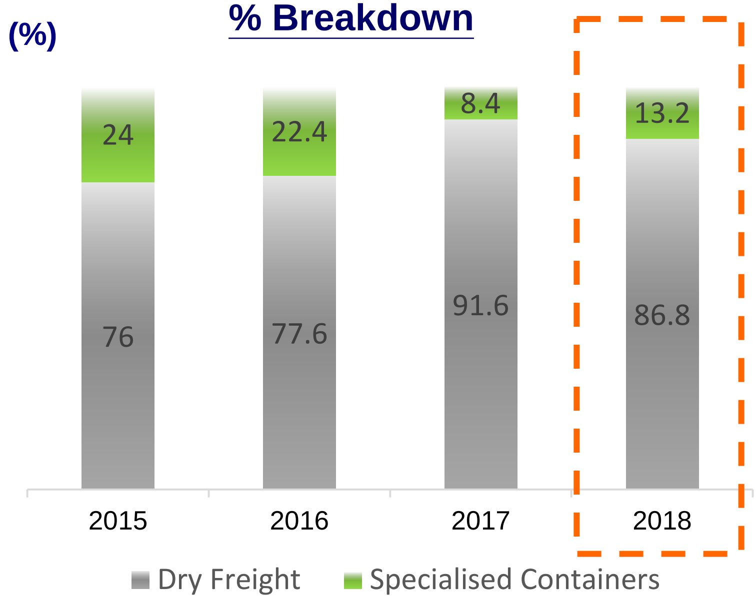


Business Review: Manufacturing

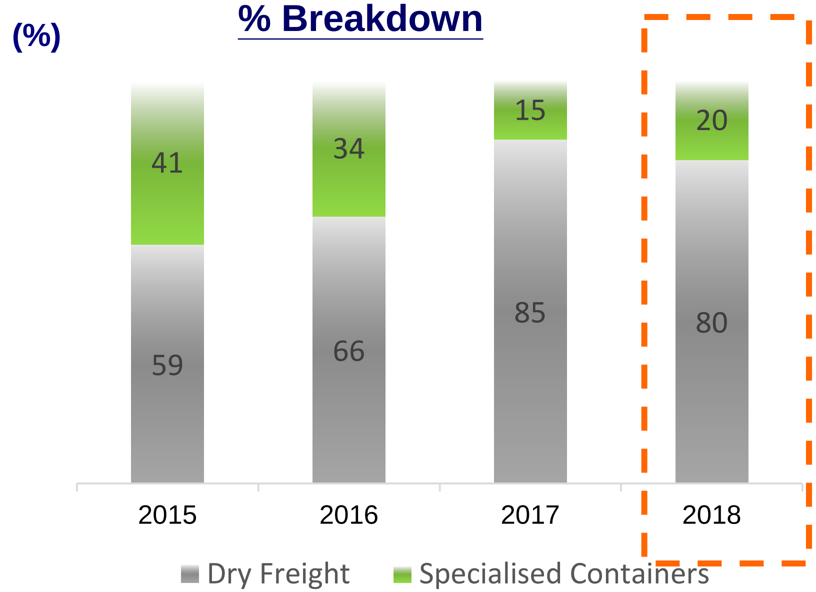
Diversifying Product Mix:

- 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.
- Revenue breakdown for dry freight and specialised containers was 80% and 20% respectively in 2018 (85% and 15% respectively in 2017).
- Although there was healthy demand for specialised container in 2018, dry freight container demand is still relatively stronger. Due to encouraging demand for a number of specialised containers in 2018, there was an increase in the proportion of the sales in the business segment.

Manufacturing Volume % Breakdown



Sales Revenue % Breakdown



For the year ended 31 December

Business Review: Manufacturing

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Optimisation of business operations

- Disposed all equity interest in its wholly-owned subsidiary Hui Zhou Pacific Container Co. Ltd. in Jul 2018.
    - Principally engaged in container manufacturing on its property located in Huizhou City in China.
    - One-time gain of US$65,604,000 on disposal was recognised in 2H2018.
    - Net proceeds was used for repayment of bank borrowings and general working capital.
- Transitional arrangement that allows the Group to continue operating at the buildings for a period of time.

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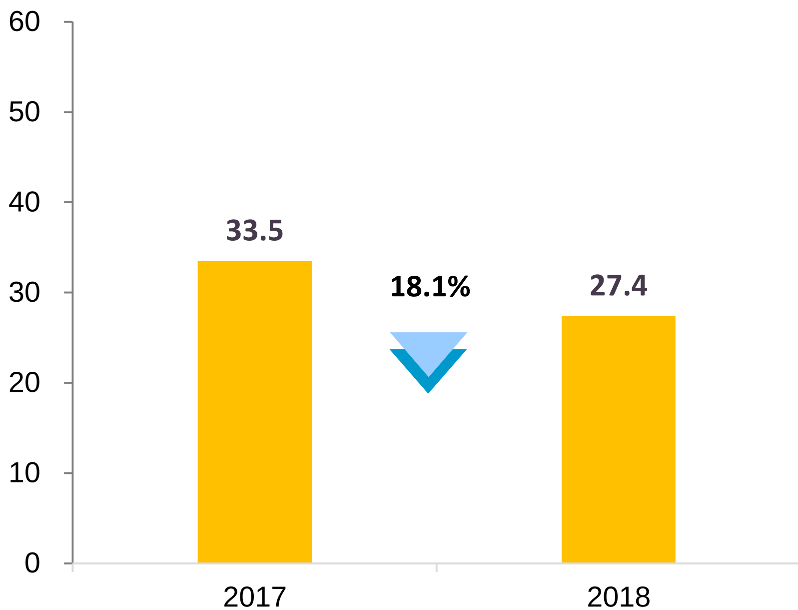
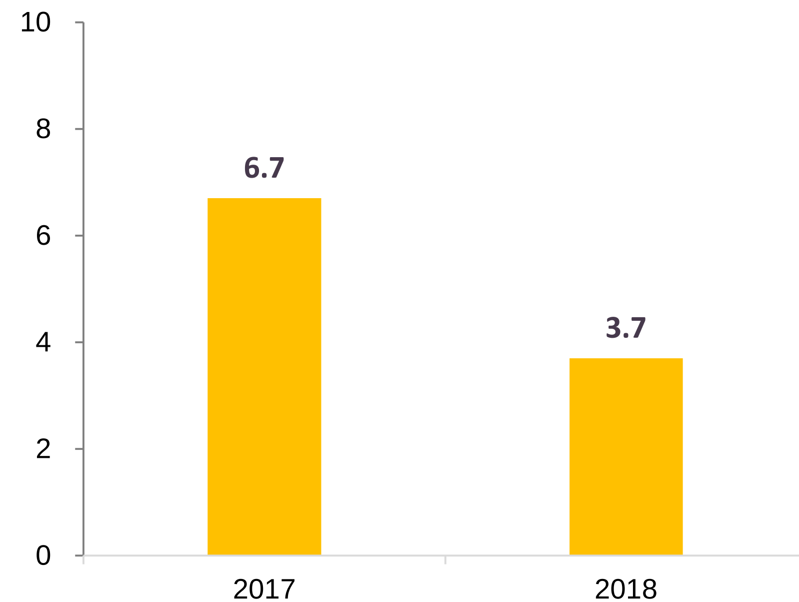
Revenue

US$'M



Profit Before Taxation

US$'M



For the year ended 31 December

Revenue and Pretax Profit

- Logistics service business consequently declined by 18.1% to US$27,415,000 (2017: US$ 33,493,000) due to flat demand during the year. The 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 amounting to US$3,658,000, compared with a pretax profit of US$6,737,000 recorded in FY2017.

Future Plans

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- ***Higher-Margin Specialised Containers*** *for favourable margins*
  ✓ Demonstrates the Group's ability to retain and attract customers
- Continuous effort to develop ***New Products***
  ✓ Introduced assembled-on-site refrigerated containers in 2018
- Strengthen ***Offshore Container Business***
- Maintain ***High Product Quality*** and sustainable development
- Bolster ***R&D Capabilities***
- Strengthen ***Market Network and Global Reputation***
- Further enhance ***Logistics Business***
- Optimisation of ***Business Operations*** and ***Realising Values*** for the shareholders

APPENDICES

Consolidated Income Statement I (Classification of Expenses by Nature)

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	For the year ended 31 December 2018 US$'000	2017 US$'000
Revenue	**1,807,819**	1,476,670
Other income	**2,902**	6,228
Changes in inventories of finished goods and work in progress	**(21,483)**	86,953
Raw materials and consumables used	**(1,377,444)**	(1,141,145)
Staff costs	**(193,956)**	(157,525)
Depreciation and amortisation expense	**(34,542)**	(32,428)
Impairment loss, net of reversal	**(924)**	-
Exchange gain (loss)	**4,452**	(10,866)
Other expenses	**(151,793)**	(157,235)
Finance costs	**(18,549)**	(14,434)
Investment income	**7,515**	2,765
Fair value gain of derivative financial instruments	**47**	756
Gain on disposal of a subsidiary	**65,604**	-
Share of results of associates	**(2,512)**	(1,745)
Share of results of joint ventures	**37**	398
Profit before taxation	**87,173**	58,392
Income tax expense	**(13,791)**	(14,952)
Profit for the year	**73,382**	43,440
attributable to:		
Owners of the Company	**72,252**	41,452
Non-controlling interests	**1,130**	1,988
	73,382	43,440
Profit per share		
Basic	**US2.99 cents**	US1.72 cents
Diluted	**US2.99 cents**	US1.72 cents

Consolidated Income Statement II (Classification of Expenses by Function)

SINGAMAS

(For Reference Only)

	For the year ended 31 December 2018 US$'000	2017 US$'000
Revenue	**1,807,819**	1,476,670
Cost of sales	**1,676,301**	1,296,020
Gross Profit	**131,518**	180,650
Other income	**2,902**	6,228
Selling and distribution expenses	**(34,710)**	(33,408)
General and administrative expenses	**(69,131)**	(71,952)
Exchange gain (loss)	**4,452**	(10,866)
Profit from operations	**35,031**	70,652
Finance costs	**(18,549)**	(14,434)
Investment income	**7,515**	2,765
Fair value gain of derivative financial instruments	**47**	756
Gain on disposal of a subsidiary	**65,604**	-
Share of results of associates	**(2,512)**	(1,745)
Share of results of joint ventures	**37**	398
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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 produces high graded refrigerated containers.
  - Newly set up company in Huizhou to take over the orders from the disposed company and continues to operate in the disposed factory during the transitional period.

- **DEPOTS/TERMINALS**
  - Total yard size of approximate 1.25 million m^2.
  - Total storage capacity of approximate 187,000 TEUs.
  - Container storage and handling services, dry & reefer container maintenance and repair, CFS, cargo stuffing and unstuffing and other container related services.

- **LOGISTICS**
  - Xiamen

Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines	Annual Production Capacity TEUs *(Note 1)*		Products
					2017	2018	
The PRC	Tianjin Pacific (97%)	Tianjin	2002	-	-	-	Suspended production
	Qingdao Pacific (100%) *(Note 2)*	Qingdao	2004	3	170,000	170,000	Dry freight, Refrigerated, US domestic containers and other specialised containers
	Singamas Container Industry (75%)	Yixing	1994	1	10,000	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	90,000	90,000	Dry freight, flatracks and other specialised containers
	Xiamen Pacific (100%)	Xiamen	1998	1	70,000	70,000	Dry freight containers
	Huizhou Singamas (100%)	Hui Zhou	2018	1	110,000	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	280,000	280,000	Dry freight, Refrigerated, US domestic containers and other specialised containers
Total Container Manufacturing (Note 1)				13	850,000	850,000	

Location	Factories (effective equity stake)	Location	Date of Commercial Operations	No. of Production Lines	Annual Production Capacity (units) *(Note 4)*		Products
					2017	2018	
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	123,000 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	173,420 sq. m	28,000 TEUs	
	Xiamen (35%)	1996	217,000 sq. m	31,500 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	**1,248,020 sq.m**	**186,770 TEUs**	

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