



# Singamas Container Holdings Limited

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



## 2018 Interim Results Announcement

21 August 2018

[www.singamas.com](http://www.singamas.com)

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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 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<sup>1</sup> 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

**SINGAMAS**

➤ Dry freight container demand is driven by trade / export volumes, not freight rates.

➤ Material 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 around 50% of total dry freight container production costs in both 1H2018 and 1H2017.

➤ Direct labour cost accounted for 6.5% of total production costs in 2018, slightly lowered than 6.8% in 1H2017 due to increase in production volume.

➤ Size of container fleet worldwide by end of 2017 was estimated to be 39.2 million TEUs (2016: 38 million TEUs), supporting 21.10 million TEUs (2016: 20.27 million TEUs) of shipping capacity. (Please refer to slide 11 for more details)

➤ Trade tensions between the US and the PRC pose uncertainties to the industry and may affect the trade volume between the two countries in 2H2018. This may in turn affect the demand of new dry freight containers.

# Specialised Container Industry Dynamics



- Specialised containers include 53' US domestic, refrigerated, tank, offshore, flatrack and other non-dry freight containers.
- Although ASP and demand of specialised containers increased, corresponding margins dropped during the review period due to competition and increased in material costs.
- New reefer factory in Qingdao incurred start up loss which further dragged down overall margin of specialised containers.

**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**



# Container Solutions – Transportation and Storage



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

**Sulfur container for sulfur transportation in Africa**



**Equipment Container for installing power generator**



**Mini-box – 3x12' are bundled by homemade connector for intermodal transportation**



**Mini-Box – 10'+8'+6'**



# Container Solutions – Construction



*New Development project in Guangxi*



*Container restaurant in Dongguan*



# Container Solutions - Agriculture



## *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



2002 – 2018 20ft. Dry Freight Container<sup>1</sup> Price (ASP<sup>2</sup>) vs. Average Steel Cost Per Ton



Year

Note:

1. one 20' container normally requires 1.7 tons (including wastage) of steel.
2. ASP stands for average selling price of Singamas.

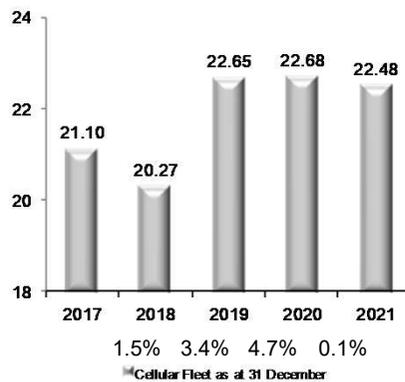
- 1H 2018 ASP of 20ft dry freight container rose to US\$2,203, 15.8% higher than 1H2017's US\$1,902 and 4.8% higher than FY2017's US\$2,102.
- The increase reflected higher raw material prices, including steel and waterborne paint cost.
- 1H2018 average steel cost was US\$615/ton, 20.1% higher than US\$512/ton in 1H2017 and 16.5% higher than FY2017's US\$528/ton.

# Container Shipping Fleet Projections 2018-2021

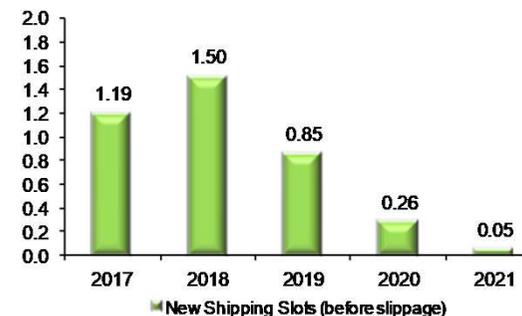


- In normal circumstances, the box to TEU slot ratio is 2x.
- That is, for every one new shipping slot, approximately 2 TEUs of new containers would be required.
- Shipping capacity in December 2016 was 20.27 million TEUs, increased to 21.10 million TEUs in December 2017 and projected to increase to 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)

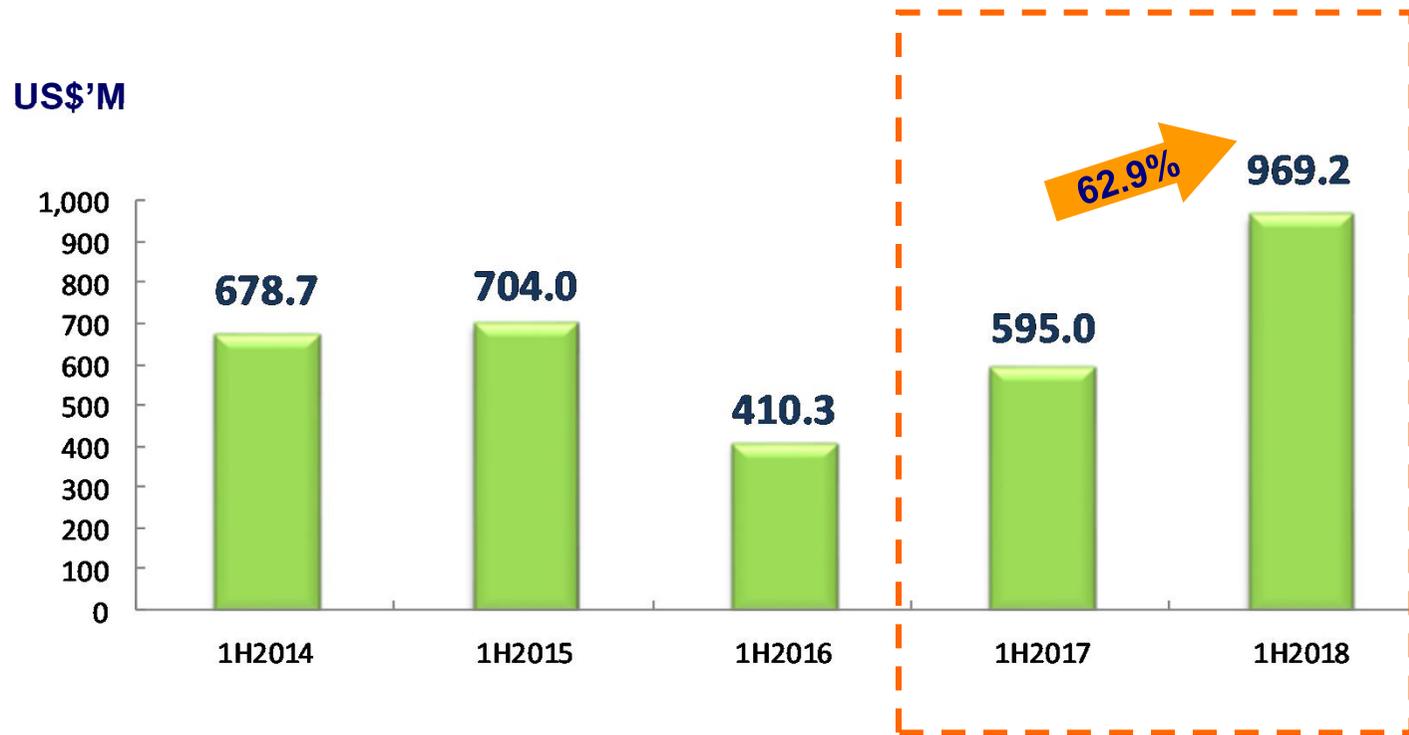


Note: Based on order book as at 1 January 2018. Forecast figures take into account delivery deferrals and slippage. Expected fleet size after provision for future scrappings and delivery slippage is based on the following assumptions:

- i) Slippage: 12 ships for 100,000 TEU planned for delivery in 2018 are assumed to be delayed to the following year.; and
- i) 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



For the six months ended 30 June

- ➔ Global economic expansion in 1H2018 led to very strong demand in dry freight containers. We recorded consolidated revenue of US\$969.2 million in 1H2018, an increase of 62.9% over the revenue of US\$595.0 million in 1H2017.

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



For the six months ended 30 June

- Consolidated net loss attributable to owners of the Company was US\$2.1 million (1H2017: net profit of US\$16.6 million).
- Including in the consolidated net loss, there was a start-up loss of around US\$5 million incurred by the new reefer factory in Qingdao.
- The decrease was owing to the increase in material costs, especially corten steel and waterborne paint cost, despite the strong demand in dry freight containers.

# Financial Review: Basic Earnings / Loss per Share



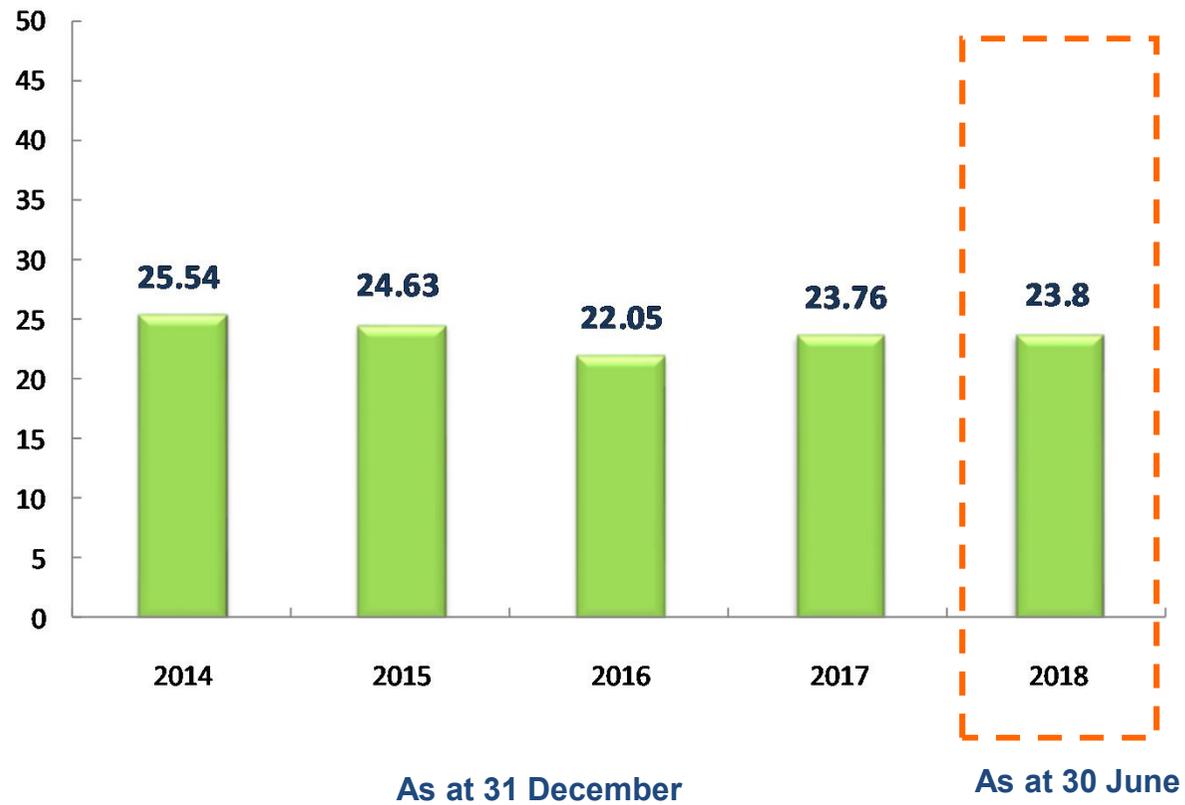
For the six months ended 30 June

- Basic loss per share was US0.09 cent (1H2017: earnings per share of US0.69 cent).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (1H2017: HK1.5 cents)

# Financial Review: Net Assets Value per Share



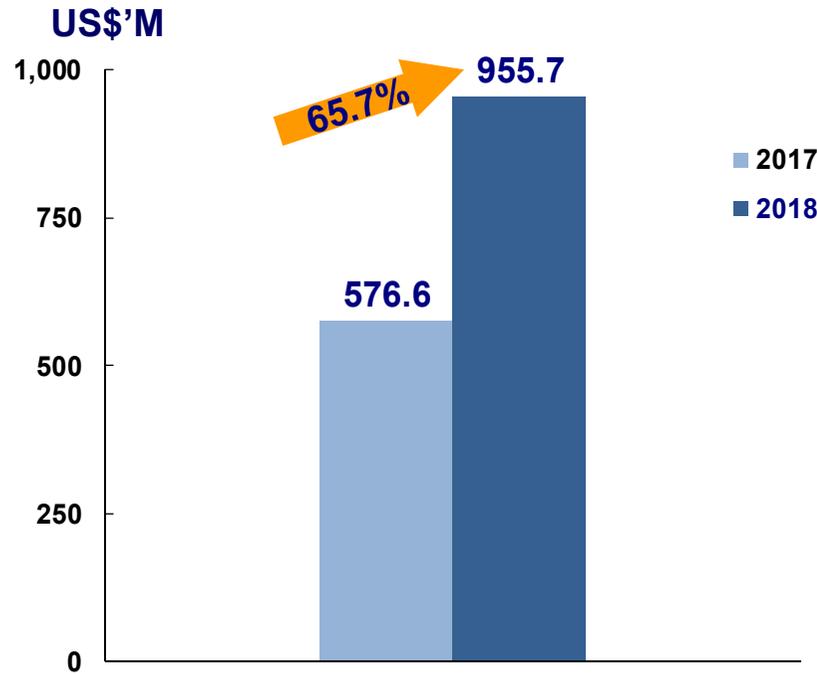
US cents



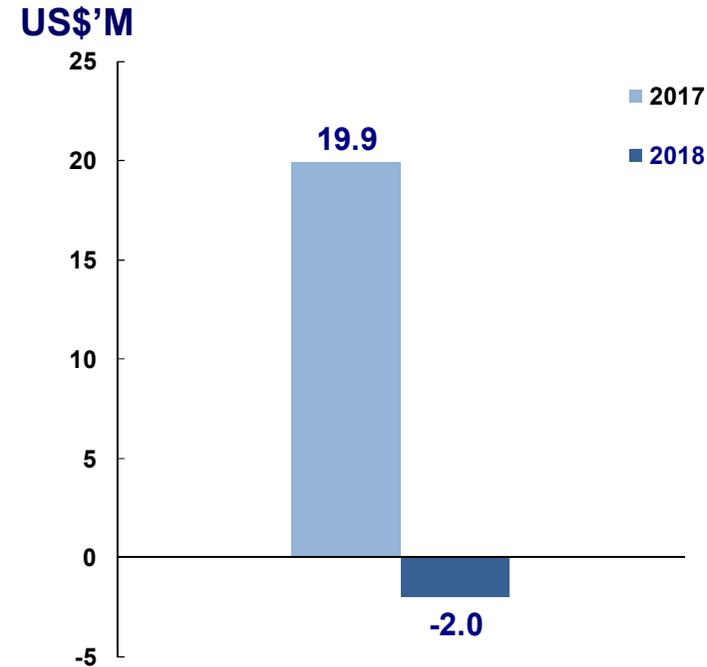
# Business Review: Manufacturing



## Revenue



## Profit / Loss Before Taxation



For the six months ended 30 June

- Demand for dry freight containers has remained healthy during the review period, contributing to the rise in revenue of the Group's manufacturing business
- Revenue of this segment rose to US\$955,717,000 (1H2017: US\$576,566,000), which accounted for 98.6% of the Group's total revenue
- Pretax loss for this segment amounting to US\$2,043,000, compared with a pretax profit of US\$19,871,000 recorded in 1H17.

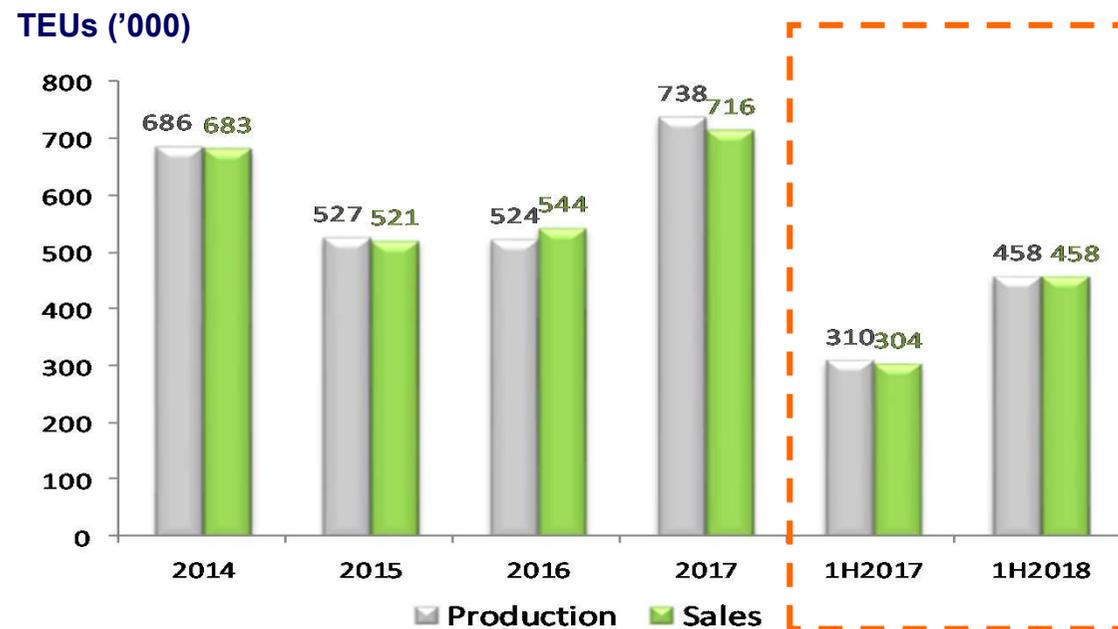
# Business Review: Manufacturing



## Well Managed Production Output and Sales Volume:

- For the six months ended 30 June 2018, the Group produced 458,374 TEUs (1H2017: 310,070 TEUs) and sold 457,610 TEUs (1H2017: 303,668 TEUs).

### Production Output and Sales Volume

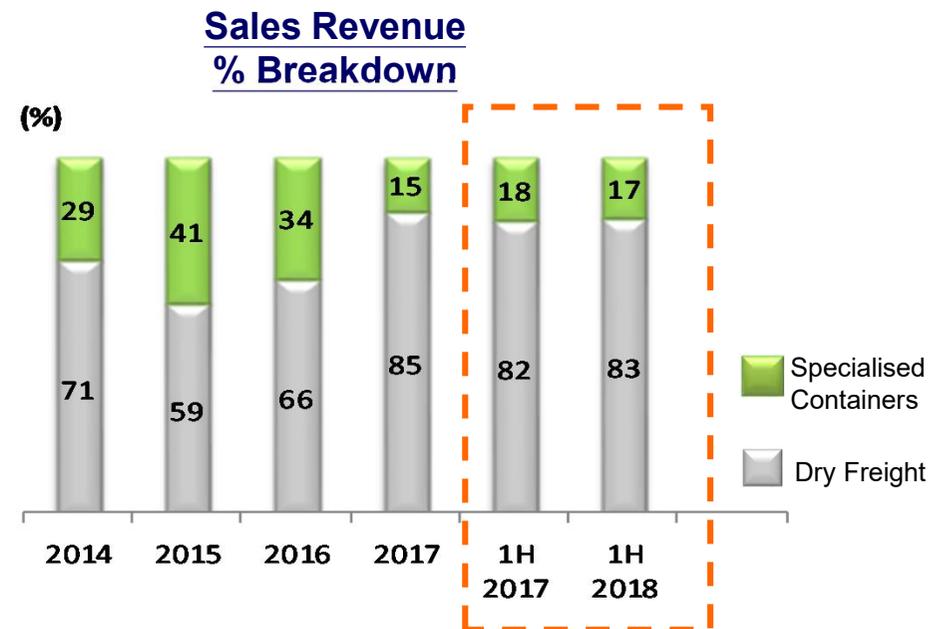
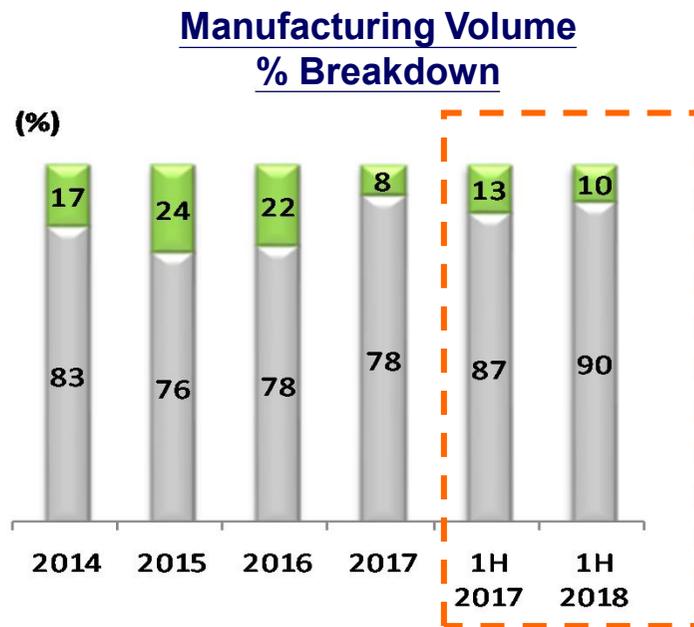


# Business Review: Manufacturing



## Diversifying Product Mix:

- To further diversify its businesses and provide a buffer against the trade driven volatile market for dry freight containers.
- More resources have been placed on developing specialised containers to enhance competitiveness.
- Adjustments were made to certain production facilities to better tap the specialised containers market.
- Revenue breakdown for dry freight and specialised containers was 83% and 17% respectively in 1H2018, very similar to the corresponding last year.



# Business Review: Manufacturing

## Specialised containers to tailor different customers' requirements

- More resources have been placed on developing specialised containers to enhance competitiveness.
- Provided fish farming containers, small shipping containers, process equipment transportation containers and many more.

## Reefer factory in Qingdao

- Trial production has commenced.
- Although utilisation rate is expectedly low, the Group has received enquiries and will be accepting orders in due course.
- Expect demand of reefer to improve in 2H18.

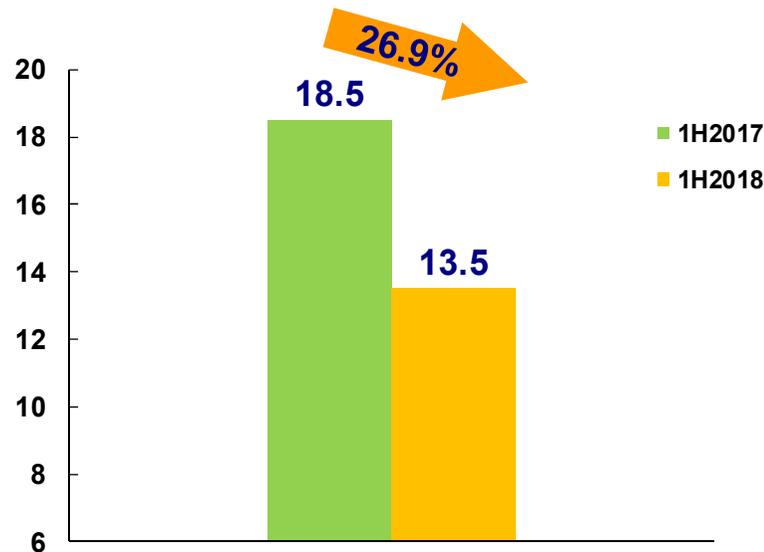


# Business Review: Logistics Services – Container Depots & Terminals



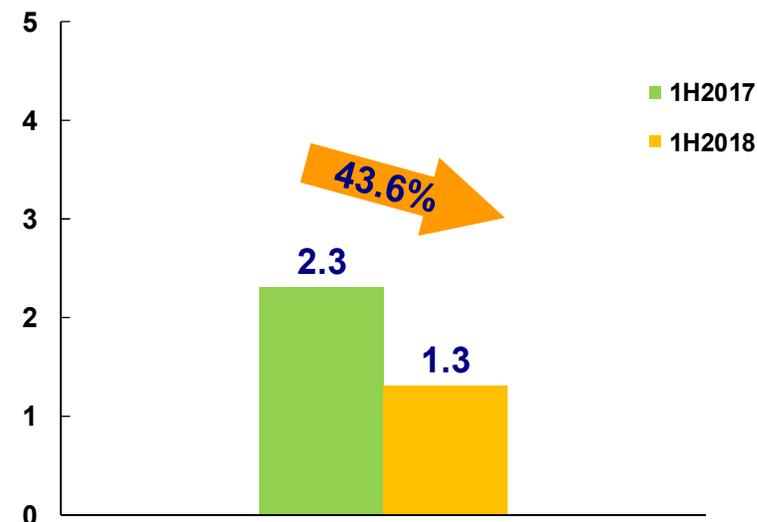
## Revenue

US\$'M



## Profit / Loss Before Tax

US\$'M



### Revenue and Pretax Profit

- Logistics services business continued to depress due to strong export volume in the PRC during the review period. Revenue dropped 26.9% to US\$13,500,000 (1H2017: US\$ 18,476,000)
- Pretax profit for the segment amounting to US\$1,276,000, compared with US\$2,261,000 recorded in 1H2017

# Business Review:

## Logistics Services – Container Depots & Terminals

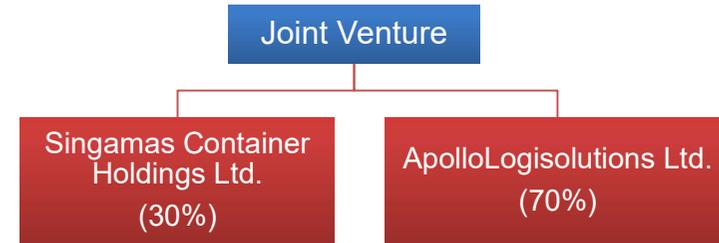
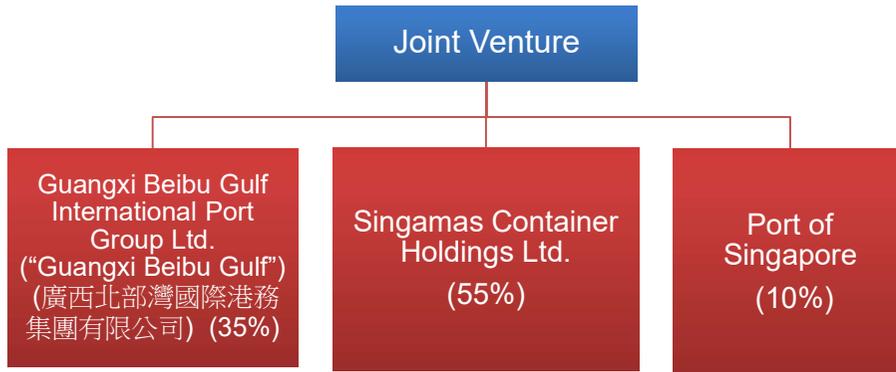
### Maintained stable handling and storage rate:

- A total of 1,738,243TEUs were handled (1H2017: 2,077,918 TEUs).
- Average daily container storage decreased to 92,678TEUs (1H2017: 112,884 TEUs).

### Handling, Repair and Storage Volumes

	1H2018			1H2017		
	Total Handling	Total Repair	Daily Storage	Total Handling	Total Repair	Daily Storage
	TEUs	TEUs	TEUs	TEUs	TEUs	TEUs
PRC	1,666,123	238,033	89,209	2,005,608	357,140	105,372
Hong Kong	72,120	26,857	3,469	72,310	31,463	7,512
<b>TOTAL</b>	<b>1,738,243</b>	<b>264,890</b>	<b>92,678</b>	<b>2,077,918</b>	<b>388,603</b>	<b>112,884</b>

# Business Review: Logistics Services – Container Depots & Terminals



### Investment project in Guangxi:

- Signed joint venture agreement with Guangxi Beibu Gulf and Port of Singapore.
- Reclamation work of the property in Qinzhou has been completed and construction of the container depot remains on schedule to complete in mid 2019.
  - Strategically significant location that will benefit from the PRC Government’s “One Belt, One Road” initiative
  - Has been providing logistics solutions since Nov 2017 via a property rented in Qinzhou.



### Liquid tank logistics business in India:

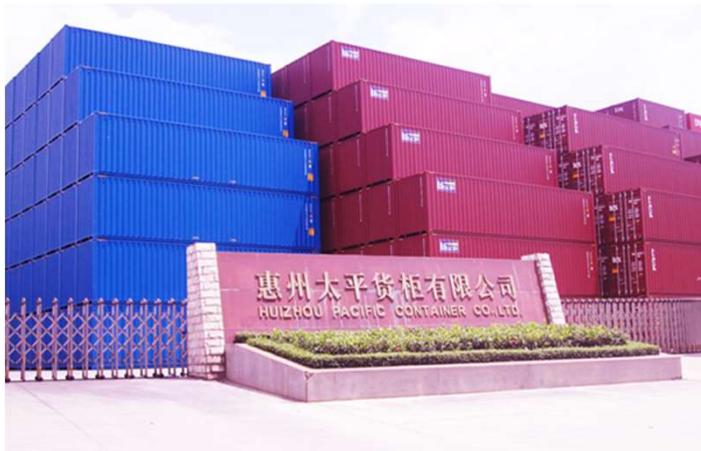
- Signed joint venture agreement with Apollo Logisolutions Limited in Mar 2017 to establish a liquid tank logistics operation for industrial chemical liquid in India.
- Been performing encouragingly in the past 6 months
- Commenced logistics operation of transporting liquid by tanks on railway in Jan 2018.



## Recent Developments

### Optimisation of business operations

- In Jul 2018, Singamas entered into a share transfer agreement with independent third party to dispose all equity interest in a wholly-owned subsidiary Hui Zhou Pacific Container Co. Ltd at a consideration of RMB735,000,000 in cash
  - The subsidiary is principally engaged in container manufacturing on its property located in Huizhou City in China
  - The disposal is considered a good opportunity for realising gain therefrom and to generate additional cash for the Group and the transaction is expected to be completed within 2018
- Expected gain on disposal will be recognised in 2H2018 and net proceeds will be used for repayment of bank borrowings, general working capital and building of new manufacturing facilities (if any)
- There is a transitional arrangement with the buyer which allows the Group continues to operate at the buildings for a period of time.
- Singamas will evaluate economic benefits of establishing a new factory in Huizhou for taking over certain manufacturing duties, related operations and employees of the company



# Future Plans



## *Higher-Margin Specialised Containers*

- ✓ Continue to develop tailor-made specialised containers, which generally have favourable margins
- ✓ Demonstrates the Group's ability to retain and attract customers

## 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*

Optimisation of *Business Operations*

# Appendices



# Consolidated Income Statement I

## (Classification Of Expenses By Nature)



Six months ended 30 June

	2018 US\$'000	2017 US\$'000
<b>Revenue</b>	969,217	595,042
<i>Other income</i>	1,507	3,215
<i>Changes in inventories of finished goods and work in progress</i>	(8,947)	13,370
<i>Raw materials and consumables used</i>	(756,237)	(429,302)
<i>Staff costs</i>	(96,782)	(67,174)
<i>Depreciation and amortisation expense</i>	(17,064)	(16,304)
<i>Exchange gain (loss)</i>	3,109	(2,997)
<i>Other expenses</i>	(84,626)	(69,915)
Finance costs	(8,842)	(6,797)
Investment income	3,620	867
Fair value (loss) gain of derivative financial instruments	(4,339)	113
Share of results of associates	(1,547)	(1,132)
Share of results of joint ventures	164	146
<b>(Loss) profit before taxation</b>	<b>(767)</b>	<b>22,132</b>
Income tax expense	(1,725)	(4,953)
<b>(Loss) profit for the period</b>	<b>(2,492)</b>	<b>17,179</b>
<b>Attributable to:</b>		
Owners of the Company	(2,104)	16,597
Non-controlling interests	(388)	582
	<b>(2,492)</b>	<b>17,179</b>
<b>(Loss) earnings per share</b>		
Basic	US(0.09) cent	US0.69 cent
Diluted	US(0.09) cent	US0.69 cent

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



Six months ended 30 June

	2018 US\$'000	2017 US\$'000
<b>Revenue</b>	969,217	595,042
<u>Cost of sales</u>	912,434	517,690
<u>Gross Profit</u>	56,783	77,352
<u>Other income</u>	1,507	3,215
<u>Selling and distribution expenses</u>	(18,190)	(14,930)
<u>General and administrative expenses</u>	(33,032)	(33,705)
<u>Exchange gain (loss)</u>	3,109	(2,997)
Profit from operations	10,177	28,935
Finance costs	(8,842)	(6,797)
Investment income	3,620	867
Fair value (loss) gain of derivative financial instruments	(4,339)	113
Share of results of associates	(1,547)	(1,132)
Share of results of joint ventures	164	146
<b>(Loss) profit before taxation</b>	(767)	22,132
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<b>(Loss) earnings per share</b>		
Basic	US(0.09) cent	US0.69 cent
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# Comprehensive Container Factory and Depot Network



## 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 1.25 million m<sup>2</sup>.
- 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

# 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 (100%)	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



	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	
<b>Total</b>			<b>1,248,020 sq.m</b>	<b>186,770 TEUs</b>	

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