勝獅貨櫃企業有限公司
SINGAMAS CONTAINER HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
Stock code: 716

Websites: http://www.singamas.com and http://www.irasia.com/listco/hk/singamas

2016 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the "Board" / "Directors") of Singamas Container Holdings Limited (the "Company") would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2016, which have been reviewed by our auditor, Deloitte Touche Tohmatsu, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Revenue	*2*	***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	*3*	***(744)***	(4,633)
(Loss) profit for the period		***(38,092)***	11,569

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		***151***	(2,523)
Total comprehensive (expense) income for the period		***(37,941)***	9,046
(Loss) profit for the period attributable to:			
Owners of the Company		***(36,619)***	10,079
Non-controlling interests		***(1,473)***	1,490
		(38,092)	11,569
Total comprehensive (expense) income attributable to:			
Owners of the Company		***(36,387)***	7,567
Non-controlling interests		***(1,554)***	1,479
		(37,941)	9,046
(Loss) earnings per share	*5*		
Basic		***US(1.52) cents***	US0.42 cent
Diluted		***US(1.52) cents***	US0.42 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	***As at 30 June 2016 (unaudited)***	As at 31 December 2015 (audited)
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment	*6*	***356,555***	359,855
Goodwill		***6,246***	6,246
Interests in associates		***43,293***	43,983
Interests in joint ventures		***21,845***	22,391
Available-for-sale investment		***6,608***	6,608
Amount due from an associate		***10,000***	10,000
Amounts due from joint ventures		**-**	6,006
Prepaid lease payments		***73,118***	64,473
Deposits for non-current assets		***12,811***	22,364
		530,476	541,926
Current assets			
Inventories	*7*	***147,231***	157,207
Trade receivables	*8*	***228,307***	146,765
Prepayments and other receivables	*9*	***59,578***	41,910
Amount due from immediate holding company		***130***	44
Amounts due from fellow subsidiaries		***36,716***	31,006
Amounts due from joint ventures		-	1,070
Amounts due from associates		***4,310***	534
Tax recoverable		***1,241***	1,335
Prepaid lease payments		***1,707***	1,517
Bank balances and cash		***236,736***	242,726
		715,956	624,114
Current liabilities			
Trade payables	*10*	***115,325***	85,108
Bills payable	*11*	***55,240***	22,755
Accruals and other payables		***90,347***	81,554
Amount due to immediate holding company		***18***	16
Amounts due to associates		***536***	132
Amounts due to joint ventures		***88***	46
Tax payable		***4,070***	5,538
Bank borrowings		***73,720***	70,000
		339,344	265,149
Net current assets		***376,612***	358,965
Total assets less current liabilities		***907,088***	900,891

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 June 2016

	Notes	***As at 30 June 2016 (unaudited) US$'000***	As at 31 December 2015 (audited) *US$'000*
Capital and reserves			
Share capital	*12*	***268,149***	268,149
Accumulated profits		***245,869***	282,846
Other reserves		***44,877***	44,287
Equity attributable to owners of the Company		***558,895***	595,282
Non-controlling interests		***50,142***	52,379
Total equity		***609,037***	647,661
Non-current liabilities			
Bank borrowings		***290,000***	245,000
Derivative financial instruments		***574***	20
Deferred tax liabilities		***7,477***	8,210
		298,051	253,230
		907,088	900,891

Notes:

1. *Basis of preparation and principal accounting policies*

The financial information relating to the year ended 31 December 2015 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap 622).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations;*
Amendments to HKAS 1	*Disclosure Initiative;*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation;*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants;*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception; and*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle.*

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. *Revenue and Segment information*

The Group's reportable and operating segments, based on information reported to the Group's chief operating decision maker (i.e. Chief Executive Officer) for the purposes of resource allocation and performance assessment are organised into two operating divisions - manufacturing and logistics services. These divisions are the basis on which the Group reports its segment information under HKFRS 8.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Principal activities are as follows:

Manufacturing	-	*manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, offshore containers, other specialised containers and container parts.*
Logistics services	-	*provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling and other container related services.*

Information regarding these segments is presented below:

The following is an analysis of the Group's revenue and results by reportable and operating segment for the periods under review:

For the six months ended 30 June 2016

	Manufacturing US$'000	***Logistics services US$'000***	***Sub-total US$'000***	***Eliminations US$'000***	***Total US$'000***
REVENUE					
External sales	***393,757***	***16,520***	***410,277***	***-***	***410,277***
Inter-segment sales	***-***	***2,915***	***2,915***	***(2,915)***	***-***
Total	***393,757***	***19,435***	***413,192***	***(2,915)***	***410,277***
	Inter-segment sales are charged at prevailing market prices.				
SEGMENT RESULTS	***(28,600)***	***(3,950)***	***(32,550)***	***-***	***(32,550)***
Finance costs					***(5,205)***
Investment income					***1,627***
Fair value loss of derivative financial instruments					***(554)***
Share of results of associates					***(695)***
Share of results of joint ventures					***29***
Loss before taxation					***(37,348)***

For the six months ended 30 June 2015

	Manufacturing *US$'000*	*Logistics services* *US$'000*	*Sub-total* *US$'000*	*Eliminations* *US$'000*	*Total* *US$'000*
REVENUE					
External sales	*688,161*	*15,868*	*704,029*	*-*	*704,029*
Inter-segment sales	*-*	*4,246*	*4,246*	*(4,246)*	*-*
Total	*688,161*	*20,114*	*708,275*	*(4,246)*	*704,029*
	Inter-segment sales are charged at prevailing market prices.				
SEGMENT RESULTS	*16,920*	*3,617*	*20,537*	*-*	*20,537*
Finance costs					*(5,570)*
Investment income					*2,004*
Fair value loss of derivative financial instruments					*(636)*
Share of results of associates					*(390)*
Share of results of joint ventures					*257*
Profit before taxation					*16,202*

Segment results represent the (loss) profit earned by each segment without allocation of finance costs, investment income, fair value loss of derivative financial instruments, share of results of associates and share of results of joint ventures. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

3. Income tax expense

Hong Kong Profits Tax was recognised based on management's best estimate of the annual income tax rate expected for the full financial year. The estimated annual tax rate used is 16.5% for both periods.

PRC Enterprise Income Tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the People's Republic of China (the "PRC") in which the Group operates.

	Six months ended 30 June	
	2016	*2015*
	US$'000	*US$'000*
Current tax:		
Hong Kong Profits Tax		
- Current period	***38***	*71*
PRC Enterprise Income Tax		
- Current period	***1,321***	*4,198*
- Under provision in prior years	***118***	*15*
	1,439	*4,213*
Deferred tax:		
Current period (credit) charge	***(733)***	*349*
	744	*4,633*

4. Dividends

No dividends were paid during the six months ended 30 June 2015 and 2016. No final dividends in respect of the year ended 31 December 2015 were proposed by the directors of the Company.

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK1.5 cents per ordinary share, total of which equivalent to HK$36,261,000 (equivalent to US$4,677,000)).

5. (Loss) earnings per share

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	*2015*
	US$'000	*US$'000*
(Loss) earnings:		
(Loss) earnings for the purposes of calculating basic and diluted (loss) earnings per share	***(36,619)***	*10,079*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	***2,416,919,918***	*2,417,580,139*
Effect of dilutive potential ordinary shares for share options	***-***	*-*
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	***2,416,919,918***	*2,417,580,139*

During the six months ended 30 June 2016, all (six months ended 30 June 2015: all) outstanding share options of the Company have not been included in the computation of diluted loss (six months ended 30 June 2015: earnings) per share as they did not have a dilutive effect to the Company's loss (six months ended 30 June 2015: earnings) per share because the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during the six months ended 30 June 2016.

6. Movements in property, plant and equipment

During the period, there was an addition of US$11,049,000 (six months ended 30 June 2015: US$19,583,000) in property, plant and equipment for upgrading its existing manufacturing and logistics services facilities.

7. *Inventories*

	As at 30 June 2016 US$'000	*As at 31 December 2015 US$'000*
Raw materials	***80,015***	*69,412*
Work in progress	***20,653***	*23,760*
Finished goods	***46,563***	*64,035*
	147,231	*157,207*

The cost of sales recognised during the period included US$393,879,000 (six months ended 30 June 2015: US$647,533,000) of costs of finished goods sold.

8. *Trade receivables*

A defined credit policy is maintained within the Group. The general credit terms are agreed with each of its trade customers depending on the creditworthiness of the customers. The general credit term ranges from 30 days to 120 days (31 December 2015: 30 days to 120 days).

The following is an analysis of trade receivables by age, based on invoice date, which approximated the revenue recognition date, net of allowance for doubtful debts:

	As at 30 June 2016 US$'000	*As at 31 December 2015 US$'000*
0 to 30 days	***144,147***	*101,864*
31 to 60 days	***46,301***	*30,124*
61 to 90 days	***20,959***	*8,046*
91 to 120 days	***8,597***	*610*
Over 120 days	***8,303***	*6,121*
	228,307	*146,765*

9. *Prepayments and other receivables*

At 30 June 2016, prepayments and other receivables included advance of US$26,748,000 (31 December 2015: US$11,528,000) to certain suppliers as deposits for raw materials purchases. The remaining balance mainly included refundable value added tax and other temporary payments. The entire amount is expected to be recovered within the next twelve months.

10. Trade payables

The following is an analysis of trade payables by age, based on invoice date:

	As at 30 June 2016 US$'000	*As at 31 December 2015 US$'000*
0 to 30 days	***57,266***	*47,378*
31 to 60 days	***28,260***	*21,303*
61 to 90 days	***15,352***	*9,368*
91 to 120 days	***8,254***	*5,160*
Over 120 days	***6,193***	*1,899*
	115,325	*85,108*

11. Bills payable

The following is an analysis of bills payable by age, based on issuance date of each bill:

	As at 30 June 2016 US$'000	*As at 31 December 2015 US$'000*
0 to 30 days	***14,981***	*5,946*
31 to 60 days	***13,501***	*6,898*
61 to 90 days	***10,829***	*3,330*
91 to 120 days	***9,355***	*4,834*
Over 120 days	***6,574***	*1,747*
	55,240	*22,755*

12. Share capital

	Number of shares	*Share Capital*	
		US$'000	*HK$'000*
Issued and fully paid:			
At 1 January 2015	*2,418,419,918*	*268,149*	*2,078,513*
Share repurchase (Note)	*(1,000,000)*	*-*	*-*
At 30 June 2015	*2,417,419,918*	*268,149*	*2,078,513*
Share repurchase (Note)	*(500,000)*	*-*	*-*
At 31 December 2015 and 30 June 2016	*2,416,919,918*	*268,149*	*2,078,513*

Note:

For the year ended 31 December 2015, the Company purchased 1,000,000 of its own ordinary shares of the Company on 22 January 2015 at the highest and lowest prices of HK$1.22 and HK$1.20 per share respectively. The aggregate purchase price paid for the share repurchase was approximately HK$1,206,160 (equivalent to US$157,000). The share repurchase represented approximately 0.0413% of the total number of issued shares of the Company immediately prior to such repurchase. The Company purchased 500,000 of its own ordinary shares of the Company on 7 September 2015 at the highest and lowest prices of HK$1.05 and HK$1.00 per share respectively. The aggregate purchase price paid for the share repurchase was approximately HK$517,560 (equivalent to US$67,000). The share repurchase represented approximately 0.0207% of the total number of issued shares *of the Company immediately prior to such repurchase. The Company has cancelled these 1,000,000 ordinary shares repurchased on 22 January 2015 and 500,000 ordinary shares repurchased on 7 September 2015 on 30 January 2015 and 30 September 2015 respectively.*

Business Review

During the review period, the global economy experienced further slowdown, continuing a trend that was particularly acute beginning in the second half of 2015. The lacklustre conditions directly affected world trade, which in turn impacted on the demand for new dry freight containers and placed further pressure on the average selling price ("ASP"). Compounding matters, the recent major mergers and acquisitions by a few shipping companies and container leasing operators created market uncertainties, which further aggravated demand for new containers due to delays in capital investments. The combination of lower business volume and lower ASP resulted in an appreciable decline in the Group's performance.

For the six months ended 30 June 2016 (the "review period"), the consolidated revenue of the Group declined by 41.7% to US$410,277,000 (1H2015: US$704,029,000). Consolidated net loss attributable to owners of the Company of US$36,619,000 against consolidated net profit of US$10,079,000 attributable to owners of the Company in the corresponding period of last year. Basic loss per share amounted to US1.52 cents, compared with earnings per share of US0.42 cent in the first half of 2015.

Manufacturing

With weak container demand, revenue from the manufacturing operation slipped to US$393,757,000 (1H2015: US$688,161,000). The segment nonetheless represented the principal revenue source of the Group, accounting for 96.0% (1H2015: 97.7%) of total revenue. As at the review period, the Group produced 223,982 twenty-foot equivalent units ("TEUs") versus 336,581 TEUs for the same period last year. Moreover, the ASP of a 20' dry freight container fell from US$1,880 to US$1,414 year-on-year. A total of 236,388 TEUs were sold (1H2015: 331,449 TEUs), with segment loss before taxation and non-controlling interest amounting to US$33,520,000, compared with a segment profit before taxation and non-controlling interest of US$12,373,000 recorded for the corresponding period of last year.

During the review period, 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. The Group also received orders from China Railway for the production of various type of containers. The management considers the production of such containers to be 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" ("OBOR") initiative.

With regards to the offshore container operation, while it has performed less favourably due to the suspension of certain oil exploration projects by several petroleum companies, the medium to long-term prospects remain hopeful. Besides, the Group has always been seeking new offshore container customers, outside of those derived from Modex Group. It is further worth noting that Qidong Singamas Offshore Equipment Co., Ltd, which specialises in the production of high-quality, internationally certified offshore containers, and now fully owned by the Group, has begun developing other high-specification containers to enrich its product mix. The construction of the offshore container factory in Qidong will therefore address demand resulting from the aforementioned developments while at the same time enabling the Group to benefit from greater efficiency and cost savings.

The performance of the refrigerated container business has likewise been weak due to soft demand; however, the management remains optimistic on the refrigerated container demands in the long run. Construction of the Group's new reefer container factory in Qingdao is progressing as scheduled, and trial production is expected to commence in the second half of 2017.

Logistics Services

The Group's logistics operation performed stably, with revenue of US$16,520,000 generated during the review period, compared with US$15,868,000 for the same period last year. However, due to commercial reasons, the Group made additional compensation of US$6,650,000 in connection with the Tianjin explosions incident. Segment loss before taxation and non-controlling interests amounted to US$3,828,000, compared with a segment profit before taxation and non-controlling interests of US$3,829,000 in the corresponding period of last year. A total of approximately 1,710,000 TEUs were handled by the Group versus 1,568,000 TEUs for the corresponding period of last year. Average daily container storage rose to 156,000 TEUs, up from 114,000 TEUs recorded in the first half of the previous financial year.

With regards to the joint venture established by the Group, Guangxi Beibu Gulf International Port Group Ltd. and Port of Singapore in December 2015, headway has been made in establishing a presence in the strategically significant Guangxi Zhuang Autonomous Region, which is one of the locations that are set to benefit from the Chinese government's OBOR initiative. The management remains optimistic that the logistics operation will derive greater opportunities as a direct result of the tripartite agreement.

Prospects

The challenging economic conditions are not expected to subside in the short term; hence demand for new containers will remain weak in the immediate future. While the average fleet growth stands at 4.7% for the three years from 2016 to 2019, which often suggests a resultant rise in demand for new containers, many new container vessel deliveries have been postponed since 2015, thus curbing such expectations. However, it is worth noting that the recent mergers and acquisitions conducted by several shipping companies and container leasing operators are close to completion, which will help reduce uncertainties in the market, and just as importantly, release capital for investments in new containers. Also, in respect of the Group in particular, the demand for containers by China Railway and other local logistics companies is expected to increase as the OBOR initiative begins to take hold.

Despite the unsatisfactory market conditions, the management remains fully committed to bolstering all areas of the Group's operation so as to seize opportunities that emerge in the future. Enhancing cost controls is one aspect of this commitment, and over the review period the Group has sought to address this concern by optimising production capabilities. Also, robotic equipment are making their way into the Group's factories as witnessed in Shanghai and Baoshan where robotic arms aid in the production of tank containers and other specialised containers respectively. Such mechanical assistance has allowed the Group to maintain good product quality and control labour costs, and will be further pursued in the coming years.

While strengthening operations is highly important, such efforts should not overshadow the fact that the Group remains in a healthy financial position, which includes a gearing ratio that is at a reasonable level. The management asserts that the Group is fully poised to seize opportunities as the container industry begins to make a turnaround.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK1.5 cents per ordinary share).

Audit Committee

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, risk management and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2016 ("Interim Report"). At the request of the Directors, the Group's external auditors have carried out a review of the Interim Report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

Transfer to Reserve

Pursuant to the legal requirements in the PRC and the appropriation agreed in the subsidiaries, associates and joint ventures, aggregate amount of US$263,000 and US$95,000 has been transferred to general reserve and development reserve of the Group respectively during the period.

Compliance with the Code of Corporate Governance Code

Throughout the period from 1 January 2016 to 30 June 2016, the Company has consistently adopted and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as guidelines to reinforce our corporate governance principles, except for one deviation which is summarised below:

Code Provision A.2.1 – As Mr. Teo Siong Seng took up both roles as the Chairman of the Board and the Chief Executive Officer of the Company, the roles of chairman and chief executive officer are not separated. The Board considers that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions efficiently and consistently.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by the Interim Report, the required standard set out in the Model Code.

By Order of the Board
Singamas Container Holdings Limited
Teo Siong Seng
Chairman and Chief Executive Officer

Hong Kong, 26 August 2016

The Directors as at the date of this announcement are Mr. Teo Siong Seng, Mr. Chan Kwok Leung, Mr. Teo Tiou Seng and Ms. Chung Pui King, Rebecca as executive Directors, Mr. Kuan Kim Kin and Mr. Tan Chor Kee as non-executive Directors and Mr. Cheng Fu Kwok, David, Mr. Lau Ho Kit, Ivan, Mr. Ong Ka Thai and Mr. Yang, Victor as independent non-executive Directors.