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

2017 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The Board of Directors (the "Board"/ "Directors") of Singamas Container Holdings Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	***2017 US$'000***	2016 US$'000
Revenue	*2*	***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
Change in fair value 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	*4*	***(14,952)***	(3,571)
Profit (loss) for the year		***43,440***	(61,920)
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		***4,601***	(2,512)
Other comprehensive income (expense) for the year		***4,601***	(2,512)
Total comprehensive income (expense) for the year		***48,041***	(64,432)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2017

	Notes	***2017*** ***US$'000***	*2016* *US$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		***41,452***	(59,434)
Non-controlling interests		***1,988***	(2,486)
		43,440	(61,920)
Total comprehensive income (expense) attributable to:			
Owners of the Company		***45,630***	(61,613)
Non-controlling interests		***2,411***	(2,819)
		48,041	(64,432)
Earnings (loss) per share	*6*		
Basic		***US1.72 cents***	US(2.46) cents
Diluted		***US1.72 cents***	US(2.46) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	*2017* *US$'000*	*2016* *US$'000*
Non-current assets			
Property, plant and equipment	*7*	***387,417***	349,195
Goodwill		***3,589***	3,589
Interests in associates		***43,308***	41,931
Interests in joint ventures		***21,789***	20,833
Available-for-sale investment		***6,608***	6,608
Derivative financial instruments		***1,014***	350
Prepaid lease payments		***90,302***	71,672
Deposits for non-current assets		***22,362***	19,183
		576,389	513,361
Current assets			
Inventories	*8*	***257,617***	136,819
Trade receivables	*9*	***312,870***	209,163
Prepayments and other receivables	*10*	***131,007***	85,381
Amount due from immediate holding company		***543***	281
Amounts due from fellow subsidiaries		***97,122***	55,184
Amounts due from joint ventures		***1***	3
Amounts due from associates		***17,397***	13,970
Derivative financial instruments		-	6
Tax recoverable		***1,084***	756
Prepaid lease payments		***2,258***	1,694
Bank balances and cash		***234,774***	209,009
		1,054,673	712,266
Non-current assets classified as assets held for sale	*11*	***3,393***	-
		1,058,066	712,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2017

	Notes	***2017 US$'000***	*2016 US$'000*
Current liabilities			
Trade payables	*12*	***256,347***	131,745
Bills payable	*13*	***211,833***	80,701
Accruals and other payables		***102,948***	57,326
Amount due to immediate holding company		***15***	-
Amounts due to associates		***85***	366
Amount due to a joint venture		***9***	15
Tax payable		***6,160***	4,682
Bank borrowings		***125,076***	274,812
		702,473	549,647
Net current assets		***355,593***	162,619
Total assets less current liabilities		***931,982***	675,980
Capital and reserves			
Share capital	*14*	***268,149***	268,149
Accumulated profits		***259,838***	221,799
Other reserves		***46,212***	43,066
Equity attributable to owners of the Company		***574,199***	533,014
Non-controlling interests		***46,394***	44,806
Total equity		***620,593***	577,820
Non-current liabilities			
Bank borrowings		***302,684***	90,728
Deferred tax liabilities		***8,705***	7,432
		311,389	98,160
		931,982	675,980

Notes:

1. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instrument, which is measured at fair value.

In the current year, 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").

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the Related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfer of Investment Property*[1]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective for annual periods beginning on or after 1 January 2019.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

The financial information relating to the years ended 31 December 2016 and 2017 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. The financial statements for the year ended 31 December 2017 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by the Hong Kong Companies Ordinance. The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2016. The auditor's report was unqualified and 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 include a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap 622).

2. *Revenue*

Revenue represents sales of goods from manufacturing and services income from logistics services operations, less sales related taxes, and is analysed as follows:

	2017	*2016*
	US$'000	*US$'000*
Manufacturing	***1,443,177***	880,654
Logistics services	***33,493***	35,779
	1,476,670	916,433

3. *Segment information*

Information reported to the Group's chief operating decision maker (i.e. Chief Executive Officer) for the purpose of resource allocation and assessment of segment performance 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:

Segment revenue and results

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

2017	***Manufacturing***	***Logistics services***	***Sub-total***	***Eliminations***	***Total***
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
REVENUE					
External sales	***1,443,177***	***33,493***	***1,476,670***	***-***	***1,476,670***
Inter-segment sales	***-***	***6,801***	***6,801***	***(6,801)***	***-***
Total	***1,443,177***	***40,294***	***1,483,471***	***(6,801)***	***1,476,670***
	Inter-segment sales are charged at prevailing market prices.				
SEGMENT RESULTS	***64,974***	***5,678***	***70,652***	***-***	***70,652***
Finance costs					***(14,434)***
Investment income					***2,765***
Change in fair value of derivative financial instruments					***756***
Share of results of associates					***(1,745)***
Share of results of joint ventures					***398***
Profit before taxation					***58,392***

2016	*Manufacturing*	*Logistics services*	*Sub-total*	*Eliminations*	*Total*
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
REVENUE					
External sales	880,654	35,779	916,433	-	916,433
Inter-segment sales	-	5,881	5,881	(5,881)	-
Total	880,654	41,660	922,314	(5,881)	916,433
	Inter-segment sales are charged at prevailing market prices.				
SEGMENT RESULTS	(50,545)	907	(49,638)	-	(49,638)
Finance costs					(11,060)
Investment income					2,764
Change in fair value of derivative financial instruments					376
Share of results of associates					(1,201)
Share of results of joint ventures					410
Loss before taxation					(58,349)

Segment results represent the profit (loss) earned by each segment without allocation of finance costs, investment income, change in fair value 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.

Segment assets and liabilities

The following is an analysis of the Group's total assets and total liabilities by operating and reportable segment:

2017	*Manufacturing*	*Logistics services*	*Total*
	US$'000	***US$'000***	***US$'000***
ASSETS			
Segment assets	***1,155,124***	***55,691***	***1,210,815***
Interests in associates			***43,308***
Interests in joint ventures			***21,789***
Unallocated corporate assets			***358,543***
Consolidated total assets			***1,634,455***
LIABILITIES			
Segment liabilities	***552,736***	***18,392***	***571,128***
Unallocated corporate liabilities			***442,734***
Consolidated total liabilities			***1,013,862***
OTHER INFORMATION			
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of capital expenditure	***92,351***	***510***	***92,861***
Depreciation and amortisation	***28,868***	***3,560***	***32,428***
Gain on disposal of property, plant and equipment	***627***	***149***	***776***
Loss on property, plant and equipment written off	***(571)***	***(1)***	***(572)***

2016	*Manufacturing*	*Logistics services*	*Total*
	US$'000	***US$'000***	***US$'000***
ASSETS			
Segment assets	815,603	61,093	876,696
Interests in associates			41,931
Interests in joint ventures			20,833
Unallocated corporate assets			286,167
Consolidated total assets			1,225,627
LIABILITIES			
Segment liabilities	254,936	14,836	269,772
Unallocated corporate liabilities			378,035
Consolidated total liabilities			647,807
OTHER INFORMATION			
Amounts included in the measure of segment profit or loss or segment assets:			
Additions of capital expenditure	28,418	2,052	30,470
Depreciation and amortisation	30,190	3,551	33,741
Gain (loss) on disposal of property, plant and equipment	408	(3)	405
Loss on property, plant and equipment written off	(49)	(238)	(287)

The amounts included in other information are part of the operating and reportable segments.

For the purposes of monitoring segment performances and allocating resources between segments:

- *all assets are allocated to operating segments other than interests in associates, interests in joint ventures and unallocated corporate assets, which include available-for-sale investment, derivative financial instruments, amount due from immediate holding company, amounts due from fellow subsidiaries, amounts due from joint ventures, amounts due from associates, tax recoverable and bank balance and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and*

- *all liabilities are allocated to operating segments other than unallocated corporate liabilities, which included amount due to immediate holding company, amounts due to associates, amount due to a joint venture, tax payable, bank borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.*

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services (after elimination of inter-segment sales):

	2017	*2016*
	US$'000	*US$'000*
Manufacturing:		
Dry freight containers	***1,234,394***	584,341
Refrigerated containers	***38,593***	84,156
Tank containers	***65,669***	56,303
US domestic containers	***59,523***	77,972
Other specialised containers and container parts	***44,998***	77,882
Logistics services	***33,493***	35,779
	1,476,670	916,433

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's manufacturing division is located in the PRC. Logistics services division is located in Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue by geographical market based on the location of customers, irrespective of the origin of the goods/services:

	2017	2016
	US$'000	US$'000
United States of America	**758,225**	320,676
Hong Kong	**357,389**	155,859
Europe	**106,949**	143,970
Singapore	**52,448**	112,526
PRC	**93,006**	81,650
Taiwan	**48,532**	32,138
Others	**60,121**	69,614
	1,476,670	916,433

The following is an analysis of the carrying amount of segment assets and non-current assets, other than financial instruments, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Carrying amount of non-current assets other than financial instruments**	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
PRC	**1,182,697**	849,186	**521,308**	459,042
Hong Kong	**28,015**	27,463	**15,735**	16,713
Others	**103**	47	**31,724**	30,648
	1,210,815	876,696	**568,767**	506,403

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are mainly derived from the manufacturing segment. In 2017, three customers (2016: one customer) contribute over 10% of the total sales, amounting to US$590,012,000 in aggregate (2016: US$128,272,000).

4. Income tax expense

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates.

	2017	*2016*
	US$'000	*US$'000*
Current tax:		
Hong Kong Profits Tax		
- Current year	***-***	3
- Prior years overprovision	***(2)***	(5)
	(2)	(2)
PRC Enterprise Income Tax		
- Current year	***13,708***	4,293
- Prior years (over) under provision	***(27)***	58
	13,681	4,351
Deferred tax:		
Current year charge (credit)	***1,273***	(778)
Income tax expense for the year	***14,952***	3,571

5. Dividends

	2017	*2016*
	US$'000	*US$'000*
Dividends recognised as distributions during the year:		
Interim in respect of current financial year, paid – HK1.5 cents (2016: nil) per ordinary share	***4,648***	-

No final dividend in respect of previous financial years was paid during the year.

The final dividend of HK2.5 cents in respect of the year ended 31 December 2017 (2016: nil) per ordinary share, total of which equivalent to approximately HK$60,423,000 (equivalent to approximately US$7,746,000) (2016: nil) has been proposed by the Directors and is subject to approval by the shareholders in forthcoming annual general meeting.

6. Earnings (loss) per share

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

	2017	*2016*
	US$'000	*US$'000*
Earnings (loss):		
Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share	***41,452***	(59,434)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	***2,416,919,918***	2,416,919,918
Effect of dilutive potential ordinary shares for share options	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	***2,416,919,918***	2,416,919,918

The computation of diluted earnings (loss) per share for the year ended 31 December 2017 and 2016 does not assume the exercise of the Company's outstanding share options, as the exercise price of those options are higher than the average market price per share for both years, and therefore, was anti-dilutive to the earnings (loss) per share.

7. *Movements in property, plant and equipment*

During the year, the Group spent US$20,291,000 (2016: nil) for upgrading its existing production lines to waterborne paint capable facilities, US$32,438,000 (2016: US$6,125,000) for the construction of new factories and US$18,115,000 (2016: US$14,376,000) for normal capital expenditure and upgrade of manufacturing and logistics services facilities.

8. *Inventories*

	2017	*2016*
	US$'000	*US$'000*
Raw materials	***115,130***	81,285
Work in progress	***57,955***	24,602
Finished goods	***84,532***	30,932
	257,617	136,819

The entire carrying amounts of inventories as at 31 December 2017 and 2016 are expected to be recovered within the next twelve months.

9. *Trade receivables*

	2017	*2016*
	US$'000	*US$'000*
Trade receivables	***313,519***	209,774
Less : allowance for doubtful debts	***(649)***	(611)
Total trade receivables	***312,870***	209,163

A defined credit policy is maintained within the Group. The credit terms are agreed with each of its trade customers depending on the creditworthiness of the customers ranging from 30 days to 120 days (2016: 30 days to 120 days).

The aged analysis of trade receivables net of allowance for doubtful debts, which is prepared based on invoice date of each transaction, which approximated the respective revenue recognition dates, at the end of the reporting period is as follows:

	2017	*2016*
	US$'000	*US$'000*
0 to 30 days	***191,580***	114,882
31 to 60 days	***81,918***	58,222
61 to 90 days	***25,673***	17,816
91 to 120 days	***271***	2,667
Over 120 days	***13,428***	15,576
	312,870	209,163

The Group assessed the credit quality of trade receivables based on historical default rates and the creditworthiness of the customers. An aggregate amount of US$248,713, 000 was subsequently settled.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$54,985,000 (2016: US$52,284,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances. The Group has assessed the creditworthiness and historical default rates of these customers, trade receivables that are past due but not impaired have very low historical default rates and have high credit-rating within the industry. In this regard, the directors of the Company considered that the default risk is low.

The aged analysis, based on invoice date of each transaction, of trade receivables which are past due but not impaired is as follows:

	2017	*2016*
	US$'000	*US$'000*
31 to 60 days	***18,308***	17,593
61 to 90 days	***22,978***	16,448
91 to 120 days	***271***	2,666
Over 120 days	***13,428***	15,577
	54,985	52,284

Movement in the allowance for doubtful debts:

	2017	*2016*
	US$'000	*US$'000*
Balance at the beginning of the year	***611***	*653*
Translation difference	***38***	(42)
Balance at the end of the year	***649***	611

10. Prepayments and other receivables

As at 31 December 2017, prepayments and other receivables included advanced of US$79,860,000 (2016: US$47,273,000) to certain suppliers as deposits for raw materials purchases. The remaining balance was mainly included refundable value added tax and other advance payments. The entire amount is expected to be recovered within the next twelve months.

11. Non-current assets classified as assets held for sale

The Group has reclassified part of the prepaid lease payment and property and plant located in Huizhou as assets held for sale which are separately presented in the consolidated statement of financial position as the transaction is expected to be completed within twelve months.

The sales proceeds are expected to exceed the net carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised.

12. Trade payables

The aged analysis, based on the invoice date of each transaction, of trade payables at the end of the reporting period is as follows:

	2017	*2016*
	US$'000	*US$'000*
0 to 30 days	***110,426***	66,684
31 to 60 days	***59,111***	31,255
61 to 90 days	***48,117***	16,363
91 to 120 days	***25,113***	10,169
Over 120 days	***13,580***	7,274
	256,347	131,745

The average credit period on purchases of goods is 63 (2016: 58) days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. *Bills payable*

The aged analysis, based on issuance date of each bills, of bills payable at the end of the reporting period is as follows:

	2017	*2016*
	US$'000	*US$'000*
0 to 30 days	***44,444***	29,241
31 to 60 days	***50,742***	16,603
61 to 90 days	***44,756***	12,540
91 to 120 days	***27,518***	6,474
Over 120 days	***44,373***	15,843
	211,833	80,701

14. *Share capital*

	Number of shares		***Share Capital***			
	2017	*2016*	***2017***	***2017***	*2016*	*2016*
			US$'000	***HK$'000***	*US$'000*	*HK$'000*
Issued and fully paid:						
At beginning and end of the year	***2,416,919,918***	2,416,919,918	***268,149***	***2,078,513***	268,149	2,078,513

BUSINESS REVIEW

The global economy began to improve during the review year, leading to a rise in international trade. As a consequence, shipping volume increased, particularly in the PRC, which drove demand for containers. The uptake resultantly led to a turnaround in the Group's performance, with consolidated revenue increasing by 61.1% to US$1,476,670,000 (2016: US$916,433,000) and consolidated profit attributable to owners of the Company reaching US$41,452,000, as compared with a consolidated loss of US$59,434,000 for the financial year ended 31 December 2016. Basic earnings per share amounted to US1.72 cents versus loss per share of US2.46 cents in 2016.

Manufacturing

The 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. Momentum was subsequently maintained by a recovering global economy and the rise in international trade. Large shipping companies and container leasing operators also continued to show interest in purchasing containers, and demand for replacement of containers were high.

Our manufacturing operation benefited from these developments and as a result, revenue was at US$1,443,177,000 for the review year, up from US$880,654,000 in 2016, accounting for 97.7% of the Group's total revenue. In all, the manufacturing operation produced 738,286 twenty-foot equivalent units ("TEUs") for the year ended 31 December 2017, up 41.0% from 523,785 TEUs recorded in the preceding year. The average selling price ("ASP") of a 20' dry freight container rose appreciably from US$1,457 in 2016 to US$2,102 in 2017 owing to increase demand as well as higher cost associated with the use of waterborne paint in the production process. Total sales volume reached 715,733 TEUs (2016: 543,708 TEUs), which enabled us to record a segment profit before taxation and non-controlling interests of US$51,655,000 as compared with a segment loss before taxation and non-controlling interests of US$59,607,000 in 2016.

Although dry freight containers continued to account for the bulk of manufacturing revenue at 85.5 %, specialised containers remain an integral part of our product portfolio (2016: dry freight 66% vs specialised 34%). Besides of traditional sea freight containers, we provide wide range of products which are able to tailor different requirements, one of which is fish farming containers. Fish farming containers are considered an efficient and environmentally friendly means of breeding fish as they remove the need to clear land or reserve bodies of water. In kicking off this newest venture, we delivered fish farming containers to six key provinces in the PRC during the review year.

The offshore container business has gradually improved on the back of rising oil prices and increased orders from container leasing operators. It is worth noting as well that our joint venture in Modex Holding Limited, a company principally engaged in the leasing of offshore containers, completed its restructuring and streamlining activities in mid-2017, which would be more competitive when the offshore market is picking up.

As for developments on the production front, construction of our offshore container factory in Qidong has concluded, and the production of high-standard cabins has shifted to these new facilities. Also, retooling of our factories for producing dry freight containers with waterborne paint finishes has been completed, and we are now fully capable of meeting production demands. In reference to our reefer container factory in Qingdao, construction work has been completed. Trial operation is scheduled for the first quarter of the new financial year, and we trust that the upgraded factory will be fully capable of supporting our refrigerated container business, specifically for the northern PRC market.

Logistics Services

The logistics services business faced headwinds towards the second half year that eventually led to revenue declined marginally to US$33,493,000, compared with US$35,779,000 in 2016. The decline corresponded with the decrease in number of containers handled, totalling approximately 3,397,000 TEUs (2016: 3,734,000 TEUs), due to high export demand and the resultant less idle containers on the ground. Average daily storage dropped to 88,000 TEUs compared with 138,000 TEUs in 2016.

Despite soft demand, we consider logistics services as an integral and complementary service for our customers as well as a logical and viable means of expanding our revenue streams. Our joint venture with Guangxi Beibu Gulf International Port Group Ltd. and Port of Singapore reflects this outlook. During the review year, we have continued to oversee reclamation work on a property located in the Guangxi Zhuang Autonomous Region – a region that is strategically significant as it is among the sites that will benefit from the PRC government's "One Belt, One Road" initiative and which holds enormous opportunities for the logistics sector. Though reclamation work and container depot construction are scheduled for completion by mid-2019, the joint venture has been providing logistics solutions since November 2017 via property rented in Qinzhou.

Since establishing a joint venture with Apollo Logisolutions Limited in March 2017 with the objective of establishing a liquid tank logistics operation in India, the Group's tank factory has been receiving orders for tank containers from this joint venture company. It is also worth noting that subsequent to the review year, i.e. January 2018, the joint venture company has commenced logistics operation of transporting liquid by tanks on railway.

PROSPECTS

The year 2018 is expected to see the global economy continue improving, with the World Bank forecasts growth to edge up to 3.1% and the International Monetary Fund forecasts an even more optimistic 3.9%, driven by the ongoing recovery in investment, manufacturing and trade, as well as commodity-exporting developing economies benefit from firming commodity prices. On the shipping front, cellular fleet growth is forecasted to rise by 5.6% in 2018, according to Alphaliner,

which should further drive container demand. Yet additional stimuli will come by way of shipping and leasing companies as both parties are expected to remain bullish about prospects in 2018.
Given the aforementioned developments, we view 2018 with cautious optimism, and expect dry freight containers to continue being the primary and stable source of revenue. That said, specialised containers, particularly refrigerated containers, will be our growth driver, buoyed by the Qingdao production lines that have commence operation in March 2018. Furthermore, we will be introducing a new assembled-on-site refrigerated container which is jointly developed by the Group and Carrier Transicold, in the second quarter of 2018. This new product is expected to be well received by the market given their various performance advantages.

Paving the way for further growth, we have increased our equity stake in Modex Holding Limited from 29.9% to 42.9% subsequently in February 2018. The initiative highlights both our confidence in the joint venture and the offshore container business, as well as our commitment to advancing this area of interest in the coming years.

While we are constantly examining ways to develop our business, we are no less determined to develop our portfolio of products, as demonstrated by the upcoming launch of assembled-on-site refrigerated containers and the recent introduction of fish farming containers. To expedite such efforts, we will continue to bolster our R&D capabilities by recruiting the best and brightest, including graduates from prominent universities in the PRC, leading to the roll-out of even more attractive customer-centric solutions.

DIVIDENDS

The Board proposes to pay a final dividend of HK2.5 cents per ordinary share for the year ended 31 December 2017 (2016: nil). Together with an interim dividend of HK1.5 cents per ordinary share (2016: nil), total dividend for the year will be HK4 cents per ordinary share (2016: nil). The dividend payout ratio for the year approximates to 29.9% (2016: nil).

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Tuesday, 26 June 2018, the Company's register of members will be closed from Thursday, 21 June 2018 to Tuesday, 26 June 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting ("2018 AGM"), all transfers of shares of the Company, duly accompanied by the completed transfer forms and all relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 20 June 2018. The shareholders whose names appear on the register of members of the Company on Thursday, 21 June 2018, the record date of the 2018 AGM will be entitled to attend and vote at the 2018 AGM.

For determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2017, the register of members of the Company will be closed from Wednesday, 11 July 2018 to Friday, 13 July 2018, both days inclusive, and no transfer of the shares of the Company will be effected during such period. In order for a shareholder of the Company to qualify for the proposed final dividend, all transfers of shares of the Company, duly accompanied by the completed transfer forms and all relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 10 July 2018.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the annual financial statements for the year ended 31 December 2017 ("Annual Report").

During the year under review, the Committee met three times.

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 year.

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$1,785,000 has been transferred to general reserve of the Group during the year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE CODE

For the year ended 31 December 2017, the Company has consistently adopted and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Corporate Governance Code and Corporate Governance Report contained 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 certain deviations which are summarised below:

(1) Code Provision A.2.1, 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.

(2) Code Provision A.6.7, due to other commitments, two Non-executive Directors of the Company had not attended the 2017 Annual General Meeting of the Company held on 22 June 2017 and one Non-executive Director of the Company had not attend the General Meeting held on 12 December 2017.

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 Annual Report, the required standard as 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, 28 March 2018

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 and Mr. Yang, Victor as independent non-executive Directors.