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

2019 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 2019 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 2019

		Six months ended 30 June	
		2019	2018
		(unaudited)	(unaudited)
	Notes	***US$'000***	US$'000
Revenue	*2*	***584,025***	969,217
Other income		***2,549***	1,507
Changes in inventories of finished goods and work in progress		***3,541***	(8,947)
Raw materials and consumables used		***(470,921)***	(756,237)
Staff costs		***(70,147)***	(96,782)
Depreciation and amortisation expense		***(19,446)***	(17,064)
Impairment losses, net of reversal		***(23)***	-
Exchange gain		***93***	3,109
Other expenses		***(66,779)***	(84,626)
Finance costs		***(10,046)***	(8,842)
Investment income		***5,178***	3,620
Fair value loss of derivative financial instruments		***(396)***	(4,339)
Share of results of associates		***(510)***	(1,547)
Share of results of joint ventures		***69***	164
Loss before taxation		***(42,813)***	(767)
Income tax expense	*3*	***(7,836)***	(1,725)
Loss for the period		***(50,649)***	(2,492)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 June 2019

	Notes	Six months ended 30 June ***2019*** ***(unaudited)*** ***US$'000***	 2018 (unaudited) U$'000
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on equity instrument at fair value through other comprehensive income		***6,423***	(574)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		***(1,330)***	(749)
Other comprehensive income (expense) for the period		***5,093***	(1,323)
Total comprehensive expense for the period		***(45,556)***	(3,815)
Loss for the period attributable to:			
Owners of the Company		***(50,327)***	(2,104)
Non-controlling interests		***(322)***	(388)
		(50,649)	(2,492)
Total comprehensive expenses attributable to:			
Owners of the Company		***(45,256)***	(3,331)
Non-controlling interests		***(300)***	(484)
		(45,556)	(3,815)
Loss per share	*5*		
Basic		***US(2.08) cents***	US(0.09) cent
Diluted		***US(2.08) cents***	US(0.09) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	***As at 30 June 2019 (unaudited) US$'000***	As at 31 December 2018 (audited) US$'000
Non-current assets			
Property, plant and equipment	*6*	***90,214***	362,708
Right-of-use assets		***46,693***	-
Investment properties		***18,505***	18,068
Goodwill		-	3,589
Interests in associates		***42,438***	44,509
Interests in joint ventures		***21,708***	21,671
Equity instrument at fair value through other comprehensive income		***23,905***	17,482
Derivative financial instruments		-	1,061
Prepaid lease payments		-	88,415
Deposits for non-current assets		***383***	19,077
		243,846	576,580
Current assets			
Inventories	*7*	***100,153***	222,039
Trade receivables	*8*	***68,891***	191,069
Prepayments and other receivables	*9*	***27,328***	128,076
Amount due from immediate holding company	*10*	***33,135***	108,234
Amounts due from fellow subsidiaries	*11*	***19,767***	33,325
Amounts due from joint ventures		-	2
Amounts due from associates	*12*	***19,288***	18,538
Derivative financial instruments		***232***	-
Tax recoverable		***730***	694
Prepaid lease payments		-	1,547
Bank balances and cash		***59,018***	119,879
		328,542	823,403
Assets classified as held for sale	*13*	***896,146***	-
		1,224,688	823,403

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2019

	Notes	***As at 30 June 2019 (unaudited) US$'000***	As at 31 December 2018 (audited) US$'000
Current liabilities			
Trade payables	*14*	***61,481***	122,264
Bills payable	*15*	***27,127***	80,216
Lease liabilities		***2,521***	-
Accruals and other payables		***42,683***	60,178
Advances from customers		***4,952***	43,114
Amount due to immediate holding company		***286***	-
Amounts due to associates		***348***	63
Amounts due to joint ventures		***15***	9
Tax payable		***1,721***	5,137
Bank borrowings		***293,485***	169,796
		434,619	480,777
Liabilities associated with assets classified as held for sale	*13*	***368,768***	-
		803,387	480,777
Net current assets		***421,301***	342,626
Total assets less current liabilities		***665,147***	919,206
Capital and reserves			
Share capital	*16*	***268,149***	268,149
Accumulated profits		***254,793***	327,270
Other reserves		***66,845***	61,278
Equity attributable to owners of the Company		***589,787***	656,697
Non-controlling interests		***38,042***	39,082
Total equity		***627,829***	695,779
Non-current liabilities			
Bank borrowings		***15,000***	*210,640*
Lease liabilities		***2,853***	-
Deferred tax liabilities		***19,465***	12,787
		37,318	223,427
		665,147	919,206

Notes:

1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2018 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 2018 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 those 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 investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

The Group has applied the following new and amendments to HKFRSs issued by HKICPA:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

1.1 Transition and summary of effects arising from initial application of HKFRS 16

As a lessee

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. There was no material impact of transition to HKFRS 16 on accumulated profits at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

	At 1 January 2019 ***US$'000***
Operating lease commitments disclosed as at 31 December 2018	*4,739*
Add: Early termination options reasonably certain not to be exercised	*5,529*
Less: Recognition exemption – short term leases	*(491)*
Less: Discount at incremental borrowing rate	*(675)*
Lease liabilities discounted at relevant incremental borrowing rates	*9,102*
Analysed as:	
Current portion	*3,429*
Non-current portion	*5,673*
	9,102

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets ***US$'000***
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	*9,102*
Reclassified from prepaid lease payments (Note)	*89,962*
	99,064
By class:	
Leasehold land and buildings	*99,064*

Note: Upfront payments for leasehold land and buildings in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to US$1,547,000 and US$88,415,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019 and 30 June 2019 and no impact on the Group’s condensed consolidated statement of profit or loss during the period. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components.

The change in accounting policies upon application of HKFRS 16 has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Carrying amounts previously reported at 31 December 2018 US$'000	***Adjustments US$'000***	***Carrying amounts under HKFRS 16 at 1 January 2019 US$'000***
Non-current assets			
Prepaid lease payments	*88,415*	*(88,415)*	*-*
Right-of-use assets	*-*	*99,064*	*99,064*
Current assets			
Prepaid lease payments	*1,547*	*(1,547)*	*-*
Non-current liabilities			
Lease liabilities	*-*	*(9,102)*	*(9,102)*

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

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 2019

	Manufacturing US$'000	***Logistics services US$'000***	***Sub-total US$'000***	***Eliminations US$'000***	***Total US$'000***
REVENUE					
External sales	***570,536***	***13,489***	***584,025***	***-***	***584,025***
Inter-segment sales	***-***	***2,713***	***2,713***	***(2,713)***	***-***
Total	***570,536***	***16,202***	***586,738***	***(2,713)***	***584,025***
	Inter-segment sales are charged at prevailing market prices.				
SEGMENT RESULTS	***(37,886)***	***778***	***(37,108)***	***-***	***(37,108)***
Finance costs					***(10,046)***
Investment income					***5,178***
Fair value loss of derivative financial instruments					***(396)***
Share of results of associates					***(510)***
Share of results of joint ventures					***69***
Loss before taxation					***(42,813)***

For the six months ended 30 June 2018

	Manufacturing US$'000	Logistics services US$'000	Sub-total US$'000	Eliminations US$'000	Total US$'000
REVENUE					
External sales	955,717	13,500	969,217	-	969,217
Inter-segment sales	-	4,289	4,289	(4,289)	-
Total	955,717	17,789	973,506	(4,289)	969,217

Inter-segment sales are charged at prevailing market prices.

	Manufacturing US$'000	Logistics services US$'000	Sub-total US$'000	Eliminations US$'000	Total US$'000
SEGMENT RESULTS	9,360	817	10,177	-	10,177
Finance costs					(8,842)
Investment income					3,620
Fair value loss of derivative financial instruments					(4,339)
Share of results of associates					(1,547)
Share of results of joint ventures					164
Loss before taxation					(767)

Segment results represent the (loss charged) 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 is calculated at 16.5% for both periods.

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

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Current tax:		
PRC Enterprise Income Tax		
- Current period	***307***	3,963
- Under(over)provision in prior years	***328***	(792)
	635	3,171
Deferred tax:		
Current period charge (credit) (Note)	***7,201***	(1,446)
	7,836	1,725

Note: As at 30 June 2019, an additional deferred tax liabilities of US$8,825,000 have been provided in relation to the temporary difference attributable to undistributed profits of certain subsidiaries of the Group based on capital gain tax rate on the basis that the carrying amounts are able to recover entirely through the Disposal (defined in note 13).

4. *Dividends*

No dividend was paid during the six months ended 30 June 2019 and 2018. A final dividend of HK7 cents per ordinary share in respect of the year ended 31 December 2018 (2018: HK2.5 cents per ordinary share in respect of the year ended 31 December 2017), total of which equivalent to approximately HK$169,184,000 (equivalent to approximately US$21,654,000) (2018: HK$60,423,000 (equivalent to US$7,702,000)) were proposed and approved by shareholders in the annual general meeting held on 26 June 2019 and was distributed on 24 July 2019.

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

5. *Loss per share*

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

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
Loss:		
Loss for the purposes of calculating basic and diluted loss per share	***(50,327)***	(2,104)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	***2,416,919,918***	2,416,919,918
Effect of dilutive potential ordinary shares for share options	***-***	20,893
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	***2,416,919,918***	2,416,940,811

During the six months ended 30 June 2019, all outstanding share options of the Company have not been included in the computation of diluted loss per share as they did not have a dilutive effect to the Company's loss per share because the exercise price of these Company's share options was higher than the average market prices of the Company's shares during the period.

6. *Movements in property, plant and equipment*

During the six months ended 30 June 2019, there was an addition of US$20,297,000 (six months ended 30 June 2018: US$27,766,000) in property, plant and equipment for upgrading existing manufacturing and logistics services facilities of the Group.

7. *Inventories*

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
Raw materials	***70,077***	101,035
Work in progress	***10,627***	46,510
Finished goods	***19,449***	74,494
	100,153	222,039

The cost of sales recognised during the period was US$580,093,000 (six months ended 30 June 2018: US$912,434,000).

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 2018: 30 days to 120 days).

The aged analysis of trade receivables including those trade receivables classified as assets held for sale net of allowance for credit losses, which is prepared based on invoice date of each transaction which approximated the respective revenue recognition dates or date of rendering of services, at the end of the reporting period is as follow:

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
0 to 30 days	***151,255***	125,636
31 to 60 days	***66,502***	36,406
61 to 90 days	***27,082***	20,294
91 to 120 days	***5,375***	4,653
Over 120 days	***5,418***	4,080
	255,632	191,069
Less: Trade receivables classified as assets held for sale	***(186,741)***	-
	68,891	191,069

9. *Prepayments and other receivables*

At 30 June 2019, prepayments and other receivables included advance of US$8,992,000 (31 December 2018: US$37,823,000) 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. Amount due from immediate holding company

The general credit term for trade balances with immediate holding company is 60 days (31 December 2018: 60 days).

The aged analysis of amount due from immediate holding company including those amount due from immediate holding company classified as assets held for sale, net of allowance for credit losses, 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:

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
0 to 30 days	***1,713***	947
31 to 60 days	***-***	-
61 to 90 days	***-***	56
91 to 120 days	***28,759***	43,830
Over 120 days	***78,916***	63,401
	109,388	108,234
Less: Amount due from immediate holding company classified as assets held for sale	***(76,253)***	-
	33,135	108,234

11. Amounts due from fellow subsidiaries

The general credit terms for trade balances with fellow subsidiaries are 30 to 60 days (31 December 2018: 30 to 60 days).

The aged analysis of amounts due from fellow subsidiaries including those amounts due from fellow subsidiaries classified as assets held for sale, net of allowance for credit losses, 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:

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
0 to 30 days	***909***	929
31 to 60 days	***343***	286
61 to 90 days	***284***	188
91 to 120 days	***214***	83
Over 120 days	***31,633***	31,839
	33,383	33,325
Less: Amounts due from fellow subsidiaries classified as assets held for sale	***(13,616)***	-
	19,767	33,325

12. Amounts due from associates

The general credit terms are 30 to 60 days (31 December 2018: 30 to 60 days) for trade balance of US$6,612,000.

The aged analysis of trade related amounts due from associates, net of allowance for credit losses, 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:

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
0 to 30 days	***897***	123
31 to 60 days	***58***	13
61 to 90 days	***149***	139
91 to 120 days	***273***	172
Over 120 days	***5,235***	5,635
	6,612	6,082

13. Assets held for sale

On 6 May 2019, the Company entered an agreement with a purchaser in relation to the disposal (the "Disposal") of the entire issued registered capital of five of its wholly-owned subsidiaries, namely, Qidong Singamas Energy Equipment Co., Ltd., Qidong Pacific Port Co., Ltd., Qingdao Pacific Container Co., Ltd., Ningbo Pacific Container Co., Ltd. and Singamas Container Holdings (Shanghai) Limited (together, the "Target Companies"), at a consideration of RMB3,800 million (equivalent to approximately US$552.8 million as at 30 June 2019) in cash (subject to adjustments). The shareholders' approval was obtained on 26 June 2019. The Target Companies are incorporated in the PRC and are engaged in the businesses including manufacturing of dry freight, specialised and refrigerated containers, provision of terminal services and provision of technical and development services of container manufacturing in the PRC. With the shareholders' approval of the Disposal obtained during the period, the management expect such transaction to be completed within twelve months from the end of the current interim reporting period and the Group has reclassified the relevant assets and liabilities of the Target Companies as assets held for sale which are separately presented in the condensed consolidated statement of financial position.

The Disposal has been completed on 2 August 2019.

14. Trade payables

The following is an analysis of trade payables by age including those trade payables classified as assets held for sale, based on invoice date:

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
0 to 30 days	***70,260***	54,417
31 to 60 days	***41,856***	30,532
61 to 90 days	***28,762***	15,190
91 to 120 days	***19,748***	12,598
Over 120 days	***12,126***	9,527
	172,752	122,264
Less: Trade payables classified as assets held for sale	***(111,271)***	-
	61,481	122,264

15. Bills payable

The following is an analysis of bills payable by age including those bills payable classified as assets held for sale, based on issuance date of each bill:

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
0 to 30 days	***8,470***	21,446
31 to 60 days	***30,529***	9,194
61 to 90 days	***18,847***	3,808
91 to 120 days	***18,215***	5,977
Over 120 days	***28,178***	39,791
	104,239	80,216
Less: Bills payable classified as assets held for sale	***(77,112)***	-
	27,127	80,216

16. Share capital

	Number of shares	*Share Capital*	
		US$'000	*HK$'000*
Issued and fully paid:			
At 1 January 2018, 31 December 2018 and 30 June 2019	***2,416,919,918***	***268,149***	***2,078,513***