

SINGAMAS

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)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
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

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

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
		<u>576,389</u>	<u>513,361</u>
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
		<u>1,054,673</u>	<u>712,266</u>
Non-current assets classified as assets held for sale	11	<u>3,393</u>	-
		<u>1,058,066</u>	<u>712,266</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2017*

	<i>Notes</i>	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
		574,199	533,014
Equity attributable to owners of the Company		574,199	533,014
Non-controlling interests		46,394	44,806
		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 US\$'000	2016 US\$'000
Manufacturing	1,443,177	880,654
Logistics services	33,493	35,779
	<u>1,476,670</u>	<u>916,433</u>

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 US\$'000	Logistics services US\$'000	Sub-total US\$'000	Eliminations US\$'000	Total 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	<u>1,443,177</u>	<u>40,294</u>	<u>1,483,471</u>	<u>(6,801)</u>	<u>1,476,670</u>
	<i>Inter-segment sales are charged at prevailing market prices.</i>				
SEGMENT RESULTS	<u>64,974</u>	<u>5,678</u>	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					<u>398</u>
Profit before taxation					<u>58,392</u>

2016	Manufacturing	Logistics	Sub-total	Eliminations	Total
	US\$'000	services	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
	<i>Inter-segment sales are charged at prevailing market prices.</i>				
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					<u>(58,349)</u>

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	Total
	US\$'000	services	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			<u>1,634,455</u>
LIABILITIES			
Segment liabilities	552,736	18,392	571,128
Unallocated corporate liabilities			442,734
Consolidated total liabilities			<u>1,013,862</u>

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 US\$'000	Logistics services US\$'000	Total 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			<u>1,225,627</u>
LIABILITIES			
Segment liabilities	254,936	14,836	269,772
Unallocated corporate liabilities			378,035
Consolidated total liabilities			<u>647,807</u>
OTHER INFORMATION			
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>			
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 US\$'000	2016 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
	<u>1,476,670</u>	<u>916,433</u>

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 US\$'000	2016 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:

	<i>Carrying amount of segment assets</i>		<i>Carrying amount of non-current assets other than financial instruments</i>	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 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 US\$'000	2016 US\$'000
<i>Current tax:</i>		
<i>Hong Kong Profits Tax</i>		
- Current year	-	3
- Prior years overprovision	(2)	(5)
	<u>(2)</u>	<u>(2)</u>
<i>PRC Enterprise Income Tax</i>		
- Current year	13,708	4,293
- Prior years (over) under provision	(27)	58
	<u>13,681</u>	<u>4,351</u>
<i>Deferred tax:</i>		
Current year charge (credit)	<u>1,273</u>	<u>(778)</u>
<i>Income tax expense for the year</i>	<u><u>14,952</u></u>	<u><u>3,571</u></u>

5. Dividends

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

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

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*

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

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*

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

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:

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

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 US\$'000	2016 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
	<u>54,985</u>	<u>52,284</u>

Movement in the allowance for doubtful debts:

	2017 US\$'000	2016 US\$'000
Balance at the beginning of the year	611	653
Translation difference	38	(42)
	<u>649</u>	<u>611</u>

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 US\$'000	2016 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
	<u>256,347</u>	<u>131,745</u>

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 US\$'000	2016 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
	<u>211,833</u>	<u>80,701</u>

14. Share capital

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