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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

	<i>Notes</i>	Six months ended 30 June	
		2019	2018
		(unaudited)	(unaudited)
		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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	<i>As at 30 June 2019 (unaudited) US\$'000</i>	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
		<hr/> 243,846	<hr/> 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
		<hr/> 328,542	<hr/> 823,403
Assets classified as held for sale	13	896,146	-
		<hr/> 1,224,688	<hr/> 823,403

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2019

	<i>Notes</i>	<i>As at 30 June 2019 (unaudited) US\$'000</i>	<i>As at 31 December 2018 (audited) US\$'000</i>
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
		<u>434,619</u>	480,777
Liabilities associated with assets classified as held for sale	13	<u>368,768</u>	-
		<u>803,387</u>	480,777
Net current assets		<u>421,301</u>	342,626
Total assets less current liabilities		<u>665,147</u>	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		<u>627,829</u>	695,779
Non-current liabilities			
Bank borrowings		15,000	210,640
Lease liabilities		2,853	-
Deferred tax liabilities		19,465	12,787
		<u>37,318</u>	223,427
		<u>665,147</u>	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:

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

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	<u>9,102</u>
Analysed as:	
Current portion	3,429
Non-current portion	5,673
	<u>9,102</u>

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
	<u>99,064</u>
By class:	
Leasehold land and buildings	<u>99,064</u>

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	Logistics	Sub-total	Eliminations	Total
	US\$'000	services	US\$'000	US\$'000	US\$'000
		US\$'000			
REVENUE					
External sales	570,536	13,489	584,025	-	584,025
Inter-segment sales	-	2,713	2,713	(2,713)	-
Total	<u>570,536</u>	<u>16,202</u>	<u>586,738</u>	<u>(2,713)</u>	<u>584,025</u>
	<i>Inter-segment sales are charged at prevailing market prices.</i>				
SEGMENT RESULTS	<u>(37,886)</u>	<u>778</u>	<u>(37,108)</u>	<u>-</u>	<u>(37,108)</u>
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					<u>69</u>
Loss before taxation					<u>(42,813)</u>

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
<i>Inter-segment sales are charged at prevailing market prices.</i>					
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	<u>(50,327)</u>	<u>(2,104)</u>
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	<u>-</u>	<u>20,893</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>2,416,919,918</u>	<u>2,416,940,811</u>

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

	<i>As at 30 June 2019 US\$'000</i>	<i>As at 31 December 2018 US\$'000</i>
<i>Raw materials</i>	70,077	101,035
<i>Work in progress</i>	10,627	46,510
<i>Finished goods</i>	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:

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

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

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:

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

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:

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

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:

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

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:

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

16. Share capital

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

Business Review

During the first half of 2019, container manufacturing industry was confronted with keen competition as the sector began to enter a new low; instigated primarily by trade tensions between the United States of America (“US”) and the People’s Republic of China (“PRC”). Of particular concern is a slowdown in global trade growth to the lowest level since the financial crisis ten years ago and a drop in business confidence¹. Compounding the situation for industry players has been a glut of dry freight containers resulting from overproduction during the preceding up cycle. This has in turn led to a decline in the selling price of new containers during the six months ended 30 June 2019 (the “review period”).

With a view to transform the Group into the “New Singamas” – a leading manufacturer of specialised containers, Singamas entered into an agreement on 6 May 2019 that resulted in the very substantial disposal of several companies of the Group (the “Disposal”). The management trusts that this initial step will enable the Group to de-risk from the volatile and trade-driven market, as well as expedite the transformation of its traditional business, leading to improved profitability, optimisation of resources and maximisation of returns to shareholders.

During the review period, the consolidated revenue of the Group was US\$584,025,000 (1H2018: US\$969,217,000) and consolidated net loss attributable to owners of the Company was US\$50,327,000 (1H2018: loss of US\$2,104,000), including a provision of deferred tax charge of US\$8,825,000 arising from the Disposal. Basic loss per share was US2.08 cents versus loss per share of US0.09 cent in the first half of 2018.

Manufacturing

With the demand for dry freight containers weakening significantly during the review period, the Group’s manufacturing business was duly impacted. The segment consequently recorded revenue of US\$570,536,000 (1H2018: US\$955,717,000) for the review period, which accounted for 97.7% of the Group’s total revenue (1H2018: 98.6%). The manufacturing business produced 308,163 twenty-foot equivalent units (“TEUs”), compared with 458,374 TEUs for the corresponding period last year. The average selling price (“ASP”) of a 20’ dry freight container fell from US\$2,203 for the same period last year to US\$1,791 for the review period. In total, the manufacturing business sold 296,315 TEUs for the period ended 30 June 2019 (1H2018: 457,610 TEUs), and recorded a segment loss before taxation and non-controlling interest of US\$45,261,000 (1H2018: loss of US\$2,043,000) for the review period.

With regard to specialised containers, the operation performed encouragingly driven by the favourable performance of several key products. Especially, customised specialised containers including the energy storage containers, power generator containers, data centre containers, and many others. Through these products, the Group has been able to attract customers from diverse sectors, including those from overseas origins.

To support the growing demand of customised specialised containers, the Group is in the process of recruiting more talents for research and development (“R&D”) purposes in order to facilitate the demand and technological requirement of this segment.

Logistics Services

With reference to the logistics services business, the decline in export volume during the review period had no

¹Source: The World Bank (2019) <https://www.worldbank.org/en/news/immersive-story/2019/06/04/the-global-economy-heightened-tensions-subdued-growth>

adverse effect to the demand for its services. Consequently, the segment recorded a revenue of US\$13,489,000 (1H2018: US\$13,500,000), almost the same with the corresponding period last year. The Group's subsidiaries handled approximately 327,000 TEUs (1H2018: 370,000 TEUs) of containers during the review period. The number of containers repaired was 70,000 TEUs (1H2018: 78,000 TEUs) and average daily container storage totalled 23,000 TEUs (1H2018: 26,000 TEUs). Segment profit before taxation and non-controlling interest increased 91.9% to US\$2,448,000 (1H2018: US\$1,276,000) due to growing business of the logistic company in Xiamen and other associate depots.

It is worth noting that the Group's joint venture with Apollo Logisolutions Limited in India is progressing well. Principally involved in the transportation of industrial chemicals by specialised tank containers in India, the Group has benefited from the venture through the provision of liquid tanks.

Furthermore, the Group will continue exploring opportunities to expand its logistics services network in Southeast Asia, in order to build a regional network to complement the business.

Prospects

Mindful of the aforementioned challenges that the container manufacturing industry is expected to endure in the near future, the management has therefore decided to take decisive actions to advance the Group's development, and transform into the "New Singamas".

The first step of the Group's significant transformation was the disposal² of five of its wholly-owned subsidiaries. Subsequent to the exercise, Singamas continues to own and operate ten container depots³ and five manufacturing facilities⁴ in the PRC - which will align with Singamas' objective of becoming a dynamic force in specialised container manufacturing and logistics.

Strategic Transformation to the "New Singamas"

The Group's decision to gradually shift its focus away from manufacturing of traditional dry freight containers to specialised containers (including standardised and customised specialised containers), is a logical step that allows Singamas to tap the niche market segment where such products possess high added value to its customers and thereby are able to command high unit prices with high margin. This segment is also favourable in that specialised containers cater for a wide spectrum of industries and are less driven by trade volume, hence less susceptible to the impact of slowdowns arising from trade disputes.

To enhance its competitiveness in the specialised container market, Singamas will work closely with its customers to deliver bespoke design and production services and the Group will further bolster its R&D capabilities to meet higher technological requirements. Furthermore, Singamas will actively participate in industry exhibitions to showcase its industry experience, capabilities and expertise of 30 years in both developing and producing different kinds of container. A new factory for specialised containers in Huizhou is also under construction now, and will commence operation in the first half of 2020. With the shedding of various assets and the bolstering of different facets of operation, the Group will become nimbler and more capable of adapting to the demands of the specialised container market.

As Singamas moves away from its traditional business, it understands that its share of the dry freight container market will invariably be impacted. Nonetheless, the management trusts that the actions now being taken, combined with the Group's scale, reputation and expertise, will stand it good stead

² For more details, please refer to: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0530/ltm20190530365.pdf>

³ Singamas will continue to own and engage in its logistics business in Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Fuzhou, Xiamen and Guangxi, and two in Hong Kong and a logistic company in Xiamen.

⁴ Singamas expects that its operations in Shanghai Baoshan, Shanghai Jiading, Yixing, Xiamen and Huizhou will focus on the manufacturing, R&D and sale of containers, including dry freight and specialised containers.

as it moves towards a segment where it can play a major role, and thus derive favourable growth in the future. Having already initiated one of the most significant transactions in its history, the Group is well on its way to making a new Singamas a new reality.

Interim Dividend

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).

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 2019 (“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\$333,000 and US\$163,000, have 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 2019 to 30 June 2019, 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 Listing Rules as guidelines to reinforce our corporate governance principles, except for certain deviations which are summarised below:

- (1) 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; and
- (2) Code Provision A.6.7 – Due to other commitments, one Non-executive Director of the Company had not attended the Annual General Meeting and the Extraordinary General Meeting held on 26 June 2019.

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, 21 August 2019

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. Tan Chor Kee and Mr. Kwa Wee Keng as non-executive Directors and Mr. Cheng Fu Kwok, David and Mr. Lau Ho Kit, Ivan as independent non-executive Directors.