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

2014 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the "Board" / "Directors") of Singamas Container Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2014, 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 2014

		Six months ended 30 June	
		2014	2013
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Revenue	*2*	**678,745**	580,854
Other income		**1,243**	13,930
Changes in inventories of finished goods and work in progress		**9,535**	70,373
Raw materials and consumables used		**(518,660)**	(494,382)
Staff costs		**(59,608)**	(43,128)
Depreciation and amortisation expense		**(13,044)**	(10,143)
Exchange gain (loss)		**3,835**	(5,940)
Other expenses		**(67,132)**	(69,453)
Finance costs		**(8,775)**	(7,984)
Investment income		**2,508**	2,131
Fair value loss of derivative financial instruments		**(120)**	-
Reclassification of fair value (loss) gain of derivative financial instruments designated as hedging instruments from hedge reserve		**(3,071)**	4,614
Share of results of associates		**437**	512
Share of results of joint ventures		**(684)**	(95)
Profit before taxation		**25,209**	41,289
Income tax expense	*3*	**(9,980)**	(11,055)
Profit for the period		**15,229**	30,234

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(590)**	891
Fair value adjustments on forward contracts designated as cash flow hedges		**(3,071)**	4,939
Reclassification of exchange differences from exchange translation reserve to profit or loss upon loss of control of a subsidiary		**-**	(4,462)
Reclassification of fair value loss (gain) from hedge reserve to profit or loss		**3,071**	(4,614)
Other comprehensive expense for the period		**(590)**	(3,246)
Total comprehensive income for the period		**14,639**	26,988
Profit for the period attributable to:			
Owners of the Company		**13,275**	27,492
Non-controlling interests		**1,954**	2,742
		15,229	30,234
Total comprehensive income attributable to:			
Owners of the Company		**12,759**	24,201
Non-controlling interests		**1,880**	2,787
		14,639	26,988
Earnings per share	*5*		
Basic		**US0.55 cent**	US1.14 cents
Diluted		**US0.55 cent**	US1.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	**As at 30 June 2014 (unaudited)** *US$'000*	As at 31 December 2013 (audited) *US$'000*
Non-current assets			
Property, plant and equipment	*6*	**364,791**	347,131
Goodwill		**6,246**	6,246
Interests in associates		**37,432**	6,094
Interests in joint ventures		**23,474**	24,345
Available-for-sale investment		**6,608**	1,614
Prepaid lease payments		**56,571**	57,436
Deposits for non-current assets		**9,876**	12,110
		504,998	454,976
Current assets			
Inventories	*7*	**245,934**	216,551
Trade receivables	*8*	**319,817**	227,123
Prepayments and other receivables	*9*	**142,119**	130,151
Amount due from immediate holding company		**72**	24
Amounts due from fellow subsidiaries		**13,691**	48,684
Amounts due from joint ventures		**4,294**	-
Tax recoverable		**185**	396
Derivative financial instruments designated as hedging instruments		**-**	3,071
Prepaid lease payments		**1,308**	1,311
Bank balances and cash		**280,556**	306,640
		1,007,976	933,951
Current liabilities			
Trade payables	*10*	**211,257**	144,549
Bills payable	*11*	**95,944**	63,478
Accruals and other payables		**112,316**	101,973
Amount due to immediate holding company		**7**	12
Amounts due to associates		**296**	268
Amounts due to joint ventures		**70**	99
Tax payable		**9,574**	4,527
Notes		**-**	226,095
Bank borrowings		**58,995**	22,065
		488,459	563,066
Net current assets		**519,517**	370,885
Total assets less current liabilities		**1,024,515**	825,861

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 June 2014

	Notes	**As at 30 June 2014 (unaudited)** *US$'000*	As at 31 December 2013 (audited) *US$'000*
Capital and reserves			
Share capital	*12*	**268,149**	31,185
Share premium		**-**	236,964
Accumulated profits		**298,044**	287,948
Other reserves		**41,707**	42,166
Equity attributable to owners of the Company		**607,900**	598,263
Non-controlling interests		**57,378**	55,970
Total equity		**665,278**	654,233
Non-current liabilities			
Bank borrowings		**350,000**	164,000
Derivative financial instruments		**120**	-
Deferred tax liabilities		**9,117**	7,628
		359,237	171,628
		1,024,515	825,861

Notes:

1. ***Principal accounting policies***

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

Except as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

- *Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;*
- *Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;*
- *Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;*
- *Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and*
- *HK(IFRIC) - Int 21 Levies.*

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

2. ***Revenue and Segment information***

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

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

Principal activities are as follows:

Manufacturing	-	*manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, US domestic containers, 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 2014

	Manufacturing US$'000	Logistics services US$'000	Sub-total US$'000	Eliminations US$'000	Total US$'000
REVENUE					
External sales	***662,475***	***16,270***	***678,745***	***-***	***678,745***
Inter-segment sales	***-***	***3,411***	***3,411***	***(3,411)***	***-***
Total	***662,475***	***19,681***	***682,156***	***(3,411)***	***678,745***
	Inter-segment sales are charged at prevailing market prices.				
SEGMENT RESULTS	***30,085***	***4,829***	***34,914***	***-***	***34,914***
Finance costs					***(8,775)***
Investment income					***2,508***
Fair value loss of derivative financial instruments					***(120)***
Reclassification of fair value loss of derivative financial instruments designated as hedging instruments from hedge reserve					***(3,071)***
Share of results of associates					***437***
Share of results of joint ventures					***(684)***
Profit before taxation					***25,209***

For the six months ended 30 June 2013

	Manufacturing US$'000	Logistics services US$'000	Sub-total US$'000	Eliminations US$'000	Total US$'000
REVENUE					
External sales	*567,284*	*13,570*	*580,854*	*-*	*580,854*
Inter-segment sales	*-*	*1,768*	*1,768*	*(1,768)*	*-*
Total	*567,284*	*15,338*	*582,622*	*(1,768)*	*580,854*
	Inter-segment sales are charged at prevailing market prices.				
SEGMENT RESULTS	*34,083*	*8,028*	*42,111*	*-*	*42,111*
Finance costs					*(7,984)*
Investment income					*2,131*
Reclassification of fair value gain of derivative financial instruments designated as hedging instruments from hedge reserve					*4,614*
Share of results of associates					*512*
Share of results of joint ventures					*(95)*
Profit before taxation					*41,289*

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

3. Income tax expense

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

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

	Six months ended 30 June	
	2014	*2013*
	US$'000	*US$'000*
Current tax:		
Hong Kong Profits Tax		
- Current period	***92***	*54*
PRC Enterprise Income Tax		
- Current period	***8,333***	*11,104*
- Underprovision in prior years	***66***	*59*
	8,399	*11,163*
Deferred tax:		
Current period charge (credit)	***1,489***	*(162)*
	9,980	*11,055*

4. Dividends

No dividends were paid during the six months ended 30 June 2014. A final dividend of HK1 cent per ordinary share in respect of the year ended 31 December 2013 (2013: HK2 cents per ordinary share in respect of the year ended 31 December 2012), total of which equivalent to HK$24,204,000 (equivalent to US$3,122,000) (2013: HK$48,400,000 (equivalent to US$6,241,000)) were proposed and approved by the shareholders in the annual general meeting held on 27 May 2014 and was distributed on 31 July 2014.

The Directors have determined that an interim dividend of HK1.5 cents (2013: HK3 cents) per ordinary share, total of which equivalent to approximately HK$36,306,000 (equivalent to US$4,684,000) (2013: HK$72,610,000 (equivalent to US$9,369,000)) will be paid to the owners of the Company whose names appear in the register of members on 17 October 2014.

5. *Earnings per share*

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

	Six months ended 30 June	
	2014	*2013*
	US$'000	*US$'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share	***13,275***	*27,492*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	***2,420,419,918***	*2,420,190,548*
Effect of dilutive potential ordinary shares for share options	***691,257***	*1,334,916*
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	***2,421,111,175***	*2,421,525,464*

6. *Movements in property, plant and equipment*

During the period, there was an addition of US$30,668,000 (six months ended 30 June 2013: US$28,297,000) in property, plant and equipment for upgrading its existing manufacturing and logistics services facilities and for the purchase of office premises in Hong Kong.

7. *Inventories*

	As at 30 June 2014	*As at 31 December 2013*
	US$'000	*US$'000*
Raw materials	***144,211***	*124,363*
Work in progress	***30,330***	*34,969*
Finished goods	***71,393***	*57,219*
	245,934	*216,551*

The cost of sales recognised during the period included US$608,075,000 (six months ended 30 June 2013: US$506,322,000) of costs of finished goods sold.

8. *Trade receivables*

A defined credit policy is maintained within the Group. The general credit terms are agreed with each of its trade customers depending on the creditworthiness of the customers. The general credit term ranges from 30 days to 120 days (31 December 2013: 30 days to 120 days).

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

	As at 30 June 2014 US$'000	*As at 31 December 2013 US$'000*
0 to 30 days	***205,155***	*146,528*
31 to 60 days	***53,405***	*47,490*
61 to 90 days	***50,844***	*27,277*
91 to 120 days	***781***	*3,293*
Over 120 days	***9,632***	*2,535*
	319,817	*227,123*

9. Prepayments and other receivables

At 30 June 2014, prepayments and other receivables included advance of US$64,429,000 (31 December 2013: US$63,785,000) to certain suppliers as deposits for raw materials purchases. The remaining balance mainly included refundable value added tax and other temporary payments. The entire amount is expected to be recovered within the next twelve months.

10. Trade payables

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

	As at 30 June 2014 US$'000	*As at 31 December 2013 US$'000*
0 to 30 days	***84,416***	*77,623*
31 to 60 days	***61,518***	*28,121*
61 to 90 days	***32,631***	*19,941*
91 to 120 days	***18,762***	*12,821*
Over 120 days	***13,930***	*6,043*
	211,257	*144,549*

11. Bills payable

The following is an analysis of bills payable by age, based on invoice date:

	As at 30 June 2014 US$'000	*As at 31 December 2013 US$'000*
0 to 30 days	***42,366***	*21,982*
31 to 60 days	***25,352***	*22,235*
61 to 90 days	***24,022***	*17,325*
91 to 120 days	***3,605***	*1,936*
Over 120 days	***599***	*-*
	95,944	*63,478*

12. Share capital

	Number of shares	Share Capital	
		US$'000	HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2013, 30 June 2013 and 31 December 2013	*3,000,000,000*	*38,649*	*300,000*
At 30 June 2014	*Note a*	*Note a*	*Note a*

Note a:
Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

	Number of shares	US$'000	HK$'000
Issued and fully paid:			
At 1 January 2013	*2,420,150,992*	*31,181*	*242,015*
Exercise of share options (Note b)	*176,666*	*3*	*18*
At 30 June 2013	*2,420,327,658*	*31,184*	*242,033*
Exercise of share options (Note b)	*92,260*	*1*	*9*
At 31 December 2013	*2,420,419,918*	*31,185*	*242,042*
Transfer from share premium upon abolition of par value under the new Hong Kong Companies Ordinance	*-*	*236,964*	*1,836,471*
At 30 June 2014	*2,420,419,918*	*268,149*	*2,078,513*

Note b:
During the year ended 31 December 2013, the Company issued and allotted 268,926 ordinary shares of HK$0.10 each upon exercise of share options. The exercise prices of those share options exercised for the year ended 31 December 2013 ranged from HK$1.38 to HK$1.48 per share. The new ordinary shares rank pari passu with all existing shares in all respects.

No share option has been exercised under the review period.

Business Review

For the six months ended 30 June 2014 (the "review period"), the demand for new containers experienced notable fluctuations, soft container demand and low production volume in the first quarter followed by strong demand pick up in the second quarter. However, average selling price ("ASP") was picking up in a slower pace; together with other developments consequently moderated the Group's performance.

During the review period, the Group recorded consolidated revenue of US$678,745,000, 16.9% higher than the corresponding period of last year (1H2013: US$580,854,000). Consolidated net profit attributable to owners of the Company amounted to US$13,275,000 (1H2013: US$27,492,000), while basic earnings per share were US0.55 cent (1H2013: US1.14 cents).

Manufacturing

The unstable demand for new containers has restrained the performance of the Group's manufacturing business during the review period. Revenue was US$662,475,000, which was 16.8% higher than US$567,284,000 recorded for the corresponding period of last year. As a result of the decline in the corten steel cost, the major component for producing dry freight container, the ASP of a 20-foot dry freight container slipped to US$2,147 from US$2,287 for the same period last year. Revenue from dry freight containers and specialised containers were 72.4% and 27.6% respectively, compared with 78.0% and 22.0% in 2013.

The manufacturing segment continued to represent the Group's principal source of revenue, accounting for 97.6% as at the review period (1H2013: 97.7%). The Group produced 302,852 twenty-foot equivalent units ("TEUs") (1H2013: 274,519 TEUs) and sold 296,374 TEUs (1H2013: 244,070 TEUs). Segment profit before taxation and non-controlling interests amounted to US$21,485,000, a decline of 35.1% from US$33,090,000 for the corresponding period of last year. Segment profit before taxation and non-controlling interests for the corresponding period of last year included US$6,336,000 generated from a gain on disposal of a subsidiary.

With regards to specialised containers, the Group has approximately two to three months worth of orders for refrigerated containers and 53' US domestic containers on hand. Moreover, the Group has continued to make headway in offshore container production via its joint venture with Modex Asia Limited ("Modex Asia"), a Norwegian company that specialises in the manufacturing, trading and leasing of offshore containers. Since August 2013, when the Group and Modex Asia commenced its co-investment in a new production facility in Qidong, namely Qidong Singamas Offshore Equipment Co., Ltd. ("QSOE"), and in February 2014, when the Group entered into an agreement to obtain 26% of the enlarged issued share capital of the newly restructured Modex Group, the first batch of offshore containers has now been completed (May 2014). Given that QSOE has three months worth of orders on hand, this should bode well for the offshore container business. The management maintains the view that the Group's investment in Modex Group will lead towards the further diversification of income streams, greater profitability and bolstering of its market position.

As at the review period, the refrigerated container factory in Qidong was still incurring start-up losses; however, it started to achieve breakeven in the last two months. Even though the Group has incurred greater fixed costs, thus hampering total profitability, the management believes that contributions from the Qidong plants will be positively reflected in the coming years once the factories have fully ramped up.

Logistics Services

Despite global trade achieving only modest growth, performance of the Group's logistics business remained satisfactory. Revenue increased by 19.9% to US$16,270,000 as at the review period. Supporting the development of this area of operation is the new Qidong depot, which began contributing profits to the segment. Correspondingly, segment profit before taxation and non-controlling interests amounted to US$3,724,000. Segment profit before taxation and non-controlling interests for the corresponding period of last year was US$8,199,000, which included US$5,114,000 gain on disposal of a terminal in Shunde. For the six months ended 30 June 2014, a total of 1,642,784 TEUs were handled, up from 1,505,447 TEUs in the preceding year. Average daily container storage reached 127,625 TEUs compared to 97,630 TEUs in 2013.

Prospects

With major world economies showing modest signs of recovery, the forecasted rise in global trade of up to 5% in 2014 according to industry estimates may come to fruition. With exports from China experiencing a gradual increase, shipping companies will have greater motivation to order new containers so as to either increase their existing container fleet or to replace their old containers. Furthermore, a larger number of new container vessel deliveries will be made in 2014 and 2015, with world production rising in 2014 when compared to the preceding year. All of the aforementioned developments could help expedite the container liner industry's exit from the presently lacklustre conditions.

In respect of the Group, the management expects the upcoming half year to remain challenging. In particular, the ongoing anti-dumping and countervailing investigations in the United States on the importation of 53' domestic dry containers from China could affect the Group's associated business in the short term, even though sales generated from such containers account for a modest fraction of its overall revenue. The management nevertheless holds the view that the investigation will have no material adverse impact on the Group, and that demand will return for such specialised containers in the immediate future.

Demand continues to be healthy for the Group's other products. Orders for dry freight containers are filled up to September 2014, which will ensure that the Group's factories will be operating at optimum capacity. Moreover, the Group's offshore container business look set to make further progress as it capitalises on ties with Modex Group, which has been effectively extending its sales and leasing network towards essential markets, and its leasing business will be experiencing greater profitability.

Interim Dividend

The Directors are pleased to declare an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 June 2014 (six months ended 30 June 2013: HK3 cents per ordinary share), payable on or before Friday, 31 October 2014 to shareholders whose names appear on the register of members of the Company at close of business on Friday, 17 October 2014.

This interim dividend represents a payout ratio of 35.3%.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 15 October 2014 to Friday, 17 October 2014, both days inclusive, during which period no transfer of shares will be affected. In order to qualify for this interim dividend, all transfers accompanied by the 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, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 October 2014.

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 and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2014 ("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$82,000 have been transferred to general reserve of the Group during the period.

Compliance with the Code of Corporate Governance Code

Throughout the period from 1 January 2014 to 30 June 2014, the Company has consistently adopted and complied with the applicable code provisions Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as guidelines to reinforce our corporate governance principles, except for 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 consistency; and

(2) Code Provision A.6.7 – Due to other commitments, two Non-executive Directors of the Company had not attended the 2014 Annual General Meeting.

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 2014

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