



SITC CAGAYAN
HONG KONG
IMO 9845752

SITC MAKASSAR
HONG KONG
IMO 9845752



2020
Interim Report

SITC

SITC International Holdings Company Limited
海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1308



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Corporate Information

DIRECTORS

Executive Directors

YANG Shaopeng (*Chairman*)
YANG Xianxiang (*Vice-Chairman and
Chief Executive Officer*)
LIU Kecheng
XUE Peng (*Company Secretary*)
LAI Zhiyong
XUE Mingyuan

Independent Non-Executive Directors

TSUI Yung Kwok
YEUNG Kwok On
LO Wing Yan, William
NGAI Wai Fung

BOARD COMMITTEES

Audit Committee

TSUI Yung Kwok (*Chairman*)
LO Wing Yan, William
NGAI Wai Fung

Remuneration Committee

YEUNG Kwok On (*Chairman*)
NGAI Wai Fung
TSUI Yung Kwok
YANG Shaopeng
YANG Xianxiang

Nomination Committee

YANG Shaopeng (*Chairman*)
LO Wing Yan, William
NGAI Wai Fung
YANG Xianxiang
YEUNG Kwok On

Disclosure Committee

YANG Xianxiang (*Chairman*)
LIU Kecheng
XUE Peng
LAI Zhiyong
XUE Mingyuan

Sustainable Development Committee

YANG Xianxiang (*Chairman*)
LIU Kecheng
XUE Peng
XUE Mingyuan
LAI Zhiyong

Risk Management Committee

NGAI Wai Fung (*Chairman*)
YANG Xianxiang
XUE Peng
TSUI Yung Kwok
LO Wing Yan, William

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTER

21/F, World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong

AUTHORISED REPRESENTATIVES

LIU Kecheng
XUE Peng

COMPANY SECRETARY

XUE Peng (FCS, FCIS (PE))

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(the “**Stock Exchange**”)

NAME OF STOCK

SITC International Holdings Company
Limited (“**SITC**”)

STOCK CODE

01308

PRINCIPAL BANKERS (by alphabetical order)

ANZ Bank
Bank of China
Bank of China (Hong Kong) Limited
China Merchants Bank
Citibank, N.A
Standard Chartered Bank (Hong Kong)
Limited
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking
Corporation Limited

AUDITOR

Ernst & Young

LEGAL ADVISORS

As to Hong Kong law:

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands law:

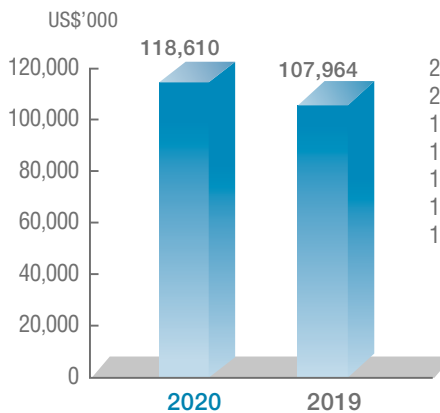
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE

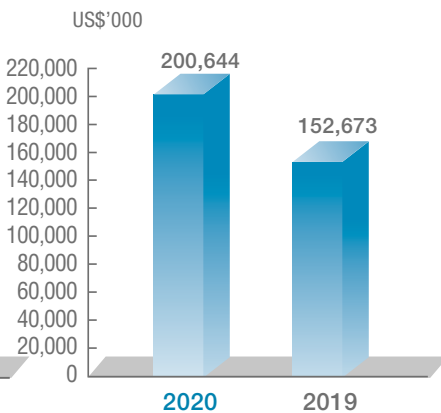
www.sitc.com

Financial and Operating Highlights

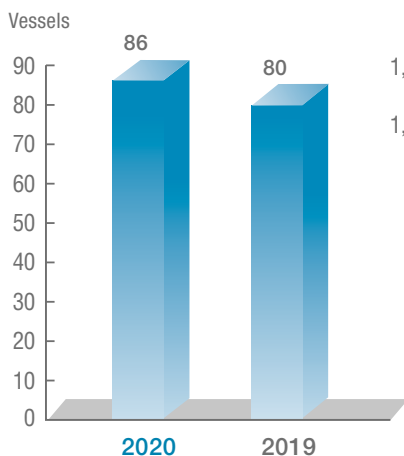
Profit attributable to shareholders of the Company for the six months ended 30 June



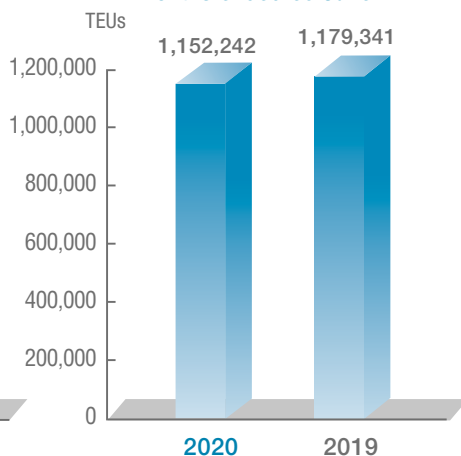
Net cash flows from operating activities for the six months ended 30 June



Number of operating container vessels as at 30 June



Container shipping volume of container shipping and supporting logistics business for the six months ended 30 June



Management Discussion and Analysis

OVERVIEW

Business Review

SITC is one of Asia's leading shipping logistics companies that provides integrated transportation and logistics solutions.

(i) Container shipping and logistics business

The Group's container shipping and logistics business covers integrated logistics services, such as the provision of container transportation, freight forwarding, shipping agency, depot and warehousing, etc. During the six months ended 30 June 2020, the Group's container shipping and logistics business continued to provide container transportation and integrated logistics services that focus exclusively on the intra-Asia market as the Company believes that the intra-Asia trade market will continue to experience healthy growth.

As of 30 June 2020, the Group operated 70 trade lanes, including 9 trade lanes through joint services and 27 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 72 major ports in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 30 June 2020, the Group operated a fleet of 86 vessels with a total capacity of 125,403 TEU, comprised of 59 self-owned (81,571 TEU) and 27 chartered vessels (43,832 TEU), with an average age of 10.8 years. 49 of these 86 vessels were of the 1,000 TEU type. For the six months ended 30 June 2020, US\$45.7 million out of US\$53.0 million of paid out capital expenditure was attributable to vessel purchases. In addition, the Group also operated (including through joint ventures) approximately 1,195,911 m² of depot and 91,700 m² of warehousing space.

Management Discussion and Analysis

Revenue generated by the Group's container shipping and logistics business for the first half of 2020 decreased by approximately 0.2% from approximately US\$733.1 million for the six months ended 30 June 2019 to approximately US\$732.0 million for the corresponding period in 2020. The decrease was a result of a combined effect, (i) from container shipping and supporting logistics business, where the revenue decreased from approximately US\$668.4 million for the six months ended 30 June 2019 to approximately US\$655.7 million for the six months ended 30 June 2020; and (ii) from other container logistics business, where the revenue increased from approximately US\$64.8 million for the six months ended 30 June 2019 to approximately US\$76.3 million for the six months ended 30 June 2020.

(ii) Dry bulk and other business

The Group's dry bulk and other business covers the provision of dry bulk vessel leasing, land leasing and air-freight forwarding services. As of 30 June 2020, the Group has 6 dry bulk vessels with a total tonnage of 438,595 tons and an average age of 7.6 years.

Revenue generated by the Group's dry bulk and other business for the first half of 2020 decreased by approximately 15.4% from approximately US\$13.0 million for the six months ended 30 June 2019 to approximately US\$11.0 million. The decrease was primarily attributable to the decrease in the average daily charter hire of dry bulk vessels.

With the Group's continuous business expansion, the Company will continue to optimize its unique business model and expand its intra-Asia service network, striving to be the first choice of its customers. At the same time, the Company will continue to optimize the Group's fleet structure by capturing vessel price dynamics, so as to keep pace with the development of the business and secure a long-term cost-competitive position. With the continuous enhancement on the Group's organization process, information technology systems and operational efficiency, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

Management Discussion and Analysis

Financial Overview

	For the six months ended 30 June					
	2020	2019	2020	2019	2020	2019
	Container shipping and logistics		Dry bulk and others		Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	731,960	733,123	10,983	12,958	742,943	746,081
Cost of sales	(575,425)	(594,800)	(8,991)	(8,373)	(584,416)	(603,173)
Gross profit	156,535	138,323	1,992	4,585	158,527	142,908
Other income and gains (excluding bank interest income and other investment income)	6,142	4,629	7	–	6,149	4,629
Administrative expenses	(42,778)	(37,954)	(38)	(43)	(42,816)	(37,997)
Share of profits of:						
Joint ventures	4,161	4,180	36	(99)	4,197	4,081
Associates	162	197	–	–	162	197
Other expenses, net	(885)	(784)	–	(1)	(885)	(785)
Segment results	123,337	108,591	1,997	4,442	125,334	113,033
Finance costs					(6,926)	(6,936)
Bank interest and other investment income					6,120	7,005
Profit before tax					124,528	113,102
Income tax					(4,889)	(4,319)
Profit for the period					119,639	108,783
Profit attributable to:						
Shareholders of the Company					118,610	107,964
Non-controlling interests					1,029	819
					119,639	108,783

REVENUE

The Group's total revenue decreased by approximately 0.4% from approximately US\$746.1 million for the six months ended 30 June 2019 to approximately US\$742.9 million for the corresponding period in 2020. The decrease was primarily attributable to the decrease in both average freight rate and container shipping volume for the container shipping and supporting business for the six months ended 30 June 2020.

COST OF SALES

The Group's cost of sales decreased by approximately 3.1% from approximately US\$603.2 million for the six months ended 30 June 2019 to approximately US\$584.4 million for the corresponding period in 2020. The decrease was primarily attributable to the decrease in bunker costs for the container shipping and supporting logistics business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased from approximately US\$142.9 million for the six months ended 30 June 2019 to approximately US\$158.5 million for the six months ended 30 June 2020. The Group's gross profit margin increased from approximately 19.2% for the six months ended 30 June 2019 to approximately 21.3% for the corresponding period in 2020.

Other Income and Gains (excluding bank interest income and other investment income)

For the six months ended 30 June 2020, other income and gains (excluding bank interest income and other investment income) increased by approximately US\$1.5 million from approximately US\$4.6 million for the six months ended 30 June 2019 to approximately US\$6.1 million for the corresponding period in 2020. The increase was mainly attributable to a year on year increase of approximately US\$1.1 million for a foreign exchange gain.

Management Discussion and Analysis

Bank Interest Income and Other Investment Income

The Group's bank interest income and other investment income was approximately US\$6.1 million and US\$7.0 million for the six months ended 30 June 2020 and 2019, respectively. The decrease was mainly attributable to the decrease in average deposit interest rate.

Administrative Expenses

The Group's administrative expenses increased from approximately US\$38.0 million for the six months ended 30 June 2019 to approximately US\$42.8 million for the corresponding period in 2020, representing an increase of approximately 12.6%. The increase was primarily attributable to the overall increase in staff cost.

Other Expenses, net

The Group's other expenses, net were approximately US\$0.9 million and US\$0.8 million for the six months ended 30 June 2020 and 2019, respectively. There was no material change in the amount.

Finance Costs

The Group's finance costs was approximately US\$6.9 million for both the six months ended 30 June 2020 and 2019. There was no material change in the amount.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by approximately 2.4% from approximately US\$4.1 million for the six months ended 30 June 2019 to approximately US\$4.2 million for the six months ended 30 June 2020. There was no material change in the amount.

Share of Profits of Associates

The Group's share of profits of associates was approximately US\$0.2 million for both the six months ended 30 June 2020 and 2019. There was no material change in the amount.

Management Discussion and Analysis

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased by approximately 10.1% from approximately US\$113.1 million for the six months ended 30 June 2019 to approximately US\$124.5 million for the corresponding period in 2020.

Income Tax Expenses

The Group's income tax expense was approximately US\$4.9 million and US\$4.3 million for the six months ended 30 June 2020 and 2019, respectively. The increase was primarily attributable to the increase in taxable profit of the Group during the period ended 30 June 2020.

Profit for the Period

The Group's profit for the six months ended 30 June 2020 was approximately US\$119.6 million, representing an increase of approximately 9.9%, amount to approximately US\$10.8 million over the profit of US\$108.8 million for the corresponding period in 2019.

Management Discussion and Analysis

Container Shipping and Logistics

The following table sets forth selected income statement data for the Group's container shipping and logistics segment for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	Amount (US\$'000) (Unaudited)	% of segment revenue	Amount (US\$'000) (Unaudited)	% of segment revenue
Income Statement Data:				
Segment revenue	731,960	100%	733,123	100%
Container shipping and supporting logistics income	655,694	89.6%	668,369	91.2%
Other container logistics income	76,266	10.4%	64,754	8.8%
Cost of Sales	(575,425)	(78.6%)	(594,800)	(81.1%)
Equipment and cargos transportation costs	(308,102)	(42.1%)	(328,238)	(44.8%)
Voyage costs	(119,288)	(16.3%)	(133,248)	(18.1%)
Container shipping vessels cost	(83,362)	(11.4%)	(79,569)	(10.9%)
Other container logistics costs	(64,673)	(8.8%)	(53,745)	(7.3%)
Gross Profit	156,535	21.4%	138,323	18.9%
Other income and gains (excluding bank interest income and other investment income)	6,142	0.8%	4,629	0.6%
Administrative expenses	(42,778)	(5.9%)	(37,954)	(5.3%)
Other expenses, net	(885)	(0.1%)	(784)	(0.1%)
Share of profits of:				
Joint ventures	4,161	0.6%	4,180	0.6%
Associates	162	0.1%	197	0.1%
Segment results	123,337	16.9%	108,591	14.8%

Management Discussion and Analysis

Segment results

The following table sets forth the number of trade lanes and port calls per week of the Group as at 30 June 2019 and 2020, and the average freight rate for the six months ended 30 June 2019 and 2020:

Six months ended 30 June		As of 30 June			
2020	2019	2020	2019	2020	2019
Average freight rate (US\$ per TEU, excluding slot exchange rate)					
541.3	545.8	Number of trade lanes		Port calls per week	
		70	63	426	379

Revenue

Revenue of the Group's container shipping and logistics business decreased by approximately 0.2% from approximately US\$733.1 million for the six months ended 30 June 2019 to approximately US\$732.0 million for the six months ended 30 June 2020. This decrease was a combined effect of (i) the decrease in container shipping volume from 1,179,341 TEUs for the six months ended 30 June 2019 to 1,152,242 TEU for the corresponding period in 2020; (ii) the decrease in average container shipping freight rate (excluding slot exchange fee income) from US\$545.8/TEU for the six months ended 30 June 2019 to US\$541.3/TEU for the corresponding period in 2020; and (iii) the increase in other container logistics income from approximately US\$64.8 million for the six months ended 30 June 2019 to approximately US\$76.3 million for the six months ended 30 June 2020.

Cost of Sales

The cost of sales of the Group's sea freight logistics business decreased by approximately 3.3% from approximately US\$594.8 million for the six months ended 30 June 2019 to approximately US\$575.4 million for the corresponding period in 2020. Such decrease was primarily attributable to the decrease in bunker cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group recorded gross profit of approximately US\$156.5 million for its container shipping and logistics business for the six months ended 30 June 2020, representing an increase of approximately US\$18.2 million as compared to approximately US\$138.3 million for the corresponding period in 2019. The gross profit margin of the Group's container shipping and logistics business was approximately 21.4% and 18.9% for the six months ended 30 June 2020 and 2019, respectively.

Management Discussion and Analysis

Other Income and Gains (excluding bank interest income and other investment income)

For the six months ended 30 June 2020, the other income and gains (excluding bank interest income and other investment income) increased to approximately US\$6.1 million from approximately US\$4.6 million for the corresponding period in 2019. The increase was mainly attributable to a year on year increase of approximately US\$1.1 million for a foreign exchange gain.

Administrative Expenses

Administrative expenses of the Group's container shipping and logistics business increased from approximately US\$38.0 million for the six months ended 30 June 2019 to approximately US\$42.8 million in the corresponding period of 2020. The change in the amount was mainly attributable to the overall increase in staff cost.

Other Expenses, net

Other expenses, net increased from approximately US\$0.8 million for the six months ended 30 June 2019 to approximately US\$0.9 million for the corresponding period in 2020. There was no material change in the amount.

Share of Profits of Joint Ventures

The Group's container shipping and logistics business's share of profits of joint ventures was approximately US\$4.2 million for both the six months ended 30 June 2020 and 2019. There was no material change in the amount.

Share of Profits of Associates

The Group's container shipping and logistics business's share of profits of associates was approximately US\$0.2 million for both the six months ended 30 June 2020 and 2019. There was no material change in the amount.

Segment Results

As a result of the foregoing, the segment results of the Group's container shipping and logistics business increased by approximately 13.5% from approximately US\$108.6 million for the six months ended 30 June 2019 to approximately US\$123.3 million in the corresponding period in 2020.

Management Discussion and Analysis

Dry Bulk and Others

The following table sets forth selected income statement data for the Group's dry bulk and other segment for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	Amount	% of	Amount	% of
	(US\$'000)	segment	(US\$'000)	segment
	(Unaudited)	revenue	(Unaudited)	revenue
Income Statement Data:				
Segment revenue	10,983	100%	12,958	100%
Dry bulk business	10,216	93.0%	12,218	94.3%
Other businesses	767	7.0%	740	5.7%
Cost of Sales	(8,991)	(81.9%)	(8,373)	(64.6%)
Dry bulk business	(8,629)	(78.6%)	(8,010)	(61.8%)
Other businesses	(362)	(3.3%)	(363)	(2.8%)
Gross Profit	1,992	18.1%	4,585	35.4%
Other income and gains (excluding bank interest income and investment income)	7	0.1%	–	–
Administrative expenses	(38)	(0.3%)	(43)	(0.3%)
Other expenses, net	–	–	(1)	(0.1%)
Share of profit and losses of:				
Joint ventures	36	0.3%	(99)	(0.7%)
Segment results	1,997	18.2%	4,442	34.3%

Management Discussion and Analysis

Revenue

The revenue of the Group's dry bulk and other businesses decreased by approximately 15.4% from approximately US\$13.0 million for the six months ended 30 June 2019 to approximately US\$11.0 million for the corresponding period in 2020. The decrease was mainly attributable to the decline in revenue for the dry bulk business, details as follow:

- *Dry bulk business.* Revenue of the Group's dry bulk business decreased by approximately 16.4% from approximately US\$12.2 million for the six months ended 30 June 2019 to approximately US\$10.2 million for the corresponding period in 2020. This primarily reflected the decrease in the average daily charter rate of dry bulk vessels.
- *Other businesses.* Revenue of the Group's other businesses was approximately US\$0.8 million and US\$0.7 million for the six months ended 30 June 2020 and 2019, respectively. There was no material fluctuation in the amount.

Cost of Sales

The cost of sales of the Group's dry bulk and others business increased by approximately 7.1% from approximately US\$8.4 million for the six months ended 30 June 2019 to approximately US\$9.0 million for the corresponding period in 2020. The increase was mainly a combined effect of the following:

- *Dry bulk business.* Cost of sales of dry bulk business increased by approximately 7.5% from approximately US\$8.0 million for the six months ended 30 June 2019 to approximately US\$8.6 million for the corresponding period in 2020, primarily reflected an increase in the Group's operating costs of dry bulk vessels.
- *Other businesses.* Cost of sales of the Group's other businesses was approximately US\$0.4 million for both the six months ended 30 June 2020 and 2019. There was no change in the amount.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's dry bulk and other business decreased by approximately 56.5% from approximately US\$4.6 million for the six months ended 30 June 2019 to approximately US\$2.0 million for the corresponding period in year 2020. The gross profit margin of the Group's dry bulk and others business decreased from approximately 35.4% for the six months ended 30 June 2019 to approximately 18.1% for the corresponding period in 2020.

Administrative Expenses

Administrative expenses of the Group's dry bulk and others business was less than approximately US\$0.1 million for both the six months ended 30 June 2020 and 2019. There was no material change in the amount.

Share of Profits/Losses of Joint Ventures

The Group's dry bulk and other business's share of profits/losses of joint ventures translated from a loss of approximately US\$0.1 million for the six months ended 30 June 2019 to a profit of less than approximately US\$0.1 million for the corresponding period in 2020, which was mainly due to the deregistration process of a joint controlled air-freight forwarding enterprise.

Segment Results

As a result of the foregoing, the segment results of the Group's dry bulk and other business decreased by approximately 54.5% from approximately US\$4.4 million for the six months ended 30 June 2019 to approximately US\$2.0 million for the corresponding period in 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by approximately 3.6% from approximately US\$1,749.5 million as at 31 December 2019 to approximately US\$1,812.7 million as at 30 June 2020. As at 30 June 2020, the Group had cash and cash equivalents amounting to approximately US\$466.9 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 6.7% from approximately US\$730.0 million as at 31 December 2019 to approximately US\$778.9 million as at 30 June 2020. At 30 June 2020, the Group had secured interest-bearing bank loans of approximately US\$422.2 million. The maturity profile is spread over a period, with approximately US\$92.2 million repayable within one year or on demand, approximately US\$67.3 million within the second year, approximately US\$151.1 million within the third to fifth years and approximately US\$111.6 million beyond five years.

Further, the Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As at 30 June 2020, the Group hedged approximately 13.6% (31 December 2019: 11.0%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2020, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.7 compared to that of 1.3 as at 31 December 2019. The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. Net debt includes interest-bearing bank borrowings, lease liabilities, provision for reinstatement costs, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 23% and 18% as at 30 June 2020 and 31 December 2019, respectively.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2020, the Group's bank loans were secured by mortgages over the Group's container vessels which had an aggregate carrying value at the end of the reporting period of approximately US\$700.3 million (31 December 2019: US\$489.2 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, the Group had an aggregate of 1,589 full-time employees (excluding crew member) (30 June 2019: 1,417). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$55.1 million (30 June 2019: US\$47.1 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group has in place a pre-IPO share option scheme, post-IPO share option scheme and adopted a share award scheme on 13 September 2017 (the "**Share Award Scheme**"). Further information of those share option schemes and the Share Award Scheme will be available in the interim report of the Company.

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2020, a total of 2 new container vessels were delivered, with another 5 to be delivered in the coming year. Save as otherwise, the Group did not have other significant investments during the six months ended 30 June 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2020, the Group did not have material acquisitions and disposals of its subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company will continue to purchase container vessels, dry bulk vessels, containers and invest in logistic projects, as and when appropriate. The Company expects that the internal financial resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed, the Company does not have any other future plans for significant investments or capital assets as at the date of this report.

Other Information

INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on 21 August 2020 (Friday), the Board has resolved to declare an interim dividend of HK22 cents (equivalent to US2.84 cents) per share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK18 cents) to shareholders whose name appear on the register of members of the Company at the close of business on 9 September 2020 (Wednesday).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

POST-IPO SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a Post-IPO Share Option Scheme (the “**Post-IPO Share Option Scheme**”) whereby the Board can grant options for the subscription of the shares of the Company (the “**Shares**”) to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the “**Participants**”) as described in the Post-IPO Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Post-IPO Share Option Scheme was 260,000,000 Shares which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company dated 20 September 2010 (the “**Prospectus**”). The number of options that may be granted pursuant to the terms of the Post-IPO Share Option Scheme shall not exceed 10% of the issued Shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares that may be granted to the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)), or the total number of Shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the Shares in issue from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided

Other Information

by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Post-IPO Share Option Scheme takes effect from the date it was adopted and shall remain effective within a period of 10 years from that date.

The followings are details of the options granted pursuant to the Post-IPO Share Option Scheme but not yet exercised for the six months ended 30 June 2020:

Grantee and position	Date of grant of options	Number of options outstanding as at 1 January 2020	Number of options granted during the period	Number of options exercised/ cancelled/lapsed during the period	Number of options not yet exercised on 30 June 2020	Approximate percentage of shareholding of options held upon the exercise of the options
Independent non-executive Director						
LO Wing Yan, William	10 March 2015	100,000	-	-	100,000	0.004%
Other employees						
Other employees	25 October 2011	649,000	-	368,000	281,000	0.01%
	10 March 2015	3,019,000	-	370,800	2,648,200	0.09%
Total		3,768,000	-	738,800	3,029,200	0.10%

Other Information

On 25 October 2011, the Company granted a total of 11,600,000 share options pursuant to the Post-IPO Share Option Scheme with an exercise price of HK\$1.968 per Share and shall be exercisable from 25 October 2012 to 25 October 2021. The closing price of the Shares immediately before the date of grant of such share options was HK\$1.960.

On 10 March 2015, the Company granted a total of 13,800,000 share options pursuant to the Post-IPO Share Option Scheme with an exercise price of HK\$4.378 per Share and shall be exercisable from 10 March 2016 to 10 March 2025. The closing price of the Shares immediately before the date of grant was HK\$4.35.

As at 30 June 2020, the Company had 3,029,200 share options outstanding under the Post-IPO Share Option Scheme, which represented approximately 0.10% of the Shares in issue as at 30 June 2020.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme on 10 September 2010 (the “**Pre-IPO Share Option Scheme**”). The purpose of the Pre-IPO Share Option Scheme is to reward the contribution of certain employees, executives or officers of the Company made or may have made to the growth of the Company and/or the listing of the Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of all the shareholders of the Company passed on 10 September 2010, are substantially the same as the terms of the Post-IPO Share Option Scheme except that:

- (a) The exercise price per Share shall be a price equivalent to a 20% discount to the offer price of the Shares under the Global Offering, that means HK\$3.824 per Share;
- (b) The total number of Shares involved in the Pre-IPO Share Option Scheme was 79,160,000 Shares, which is equivalent to approximately 3.0% of the Shares in issue after completion of the Global Offering; and

Other Information

- (c) the eligible participants under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of the Company or any of the subsidiaries who have been in employment with the Company for over one year prior to the date of the adoption of the Pre-IPO Share Option Scheme or any other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries;
- (d) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as it may think fit; and
- (e) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on the Stock Exchange.

The followings are details of the options granted pursuant to the Pre-IPO Share Option Scheme but not yet exercised for the six months ended 30 June 2020:

Grantee and position	Date of grant of options	Number of options granted and outstanding as at 1 January 2020	Number of options exercised/ cancelled/lapsed during the period	Number of options not yet exercised on 30 June 2020	Approximate percentage of shareholding upon the exercise of the options
Other employees	10 September 2010	2,370,100	987,100	1,383,000	0.05%
Total		2,370,100	987,100	1,383,000	0.05%

Other Information

As at 30 June 2020, the Company had 1,383,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.05% of the Shares in issue as at 30 June 2020. The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

- (a) up to 25% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the first anniversary of 6 October 2010 (the "**Listing Date**") and ending on the second anniversary of the Listing Date;
- (b) up to 25% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the second anniversary of the Listing Date and ending on the third anniversary of the Listing Date;
- (c) up to 25% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date; and
- (d) such number of Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the options has been exercised at any time during the period commencing from the fourth anniversary of the Listing Date and ending on the expiry of the option period.

Upon acceptance of the options, the grantee shall pay HK\$1.00 as consideration for each grant of the option. The options granted under the Pre-IPO Share Option Scheme are not transferable and options not exercised within the exercise period above will lapse and cease to be of further effect.

Other details of the Pre-IPO Share Option Scheme are set forth in the Prospectus.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 13 September 2017 (the “**Share Award Scheme**”) to:

1. recognise and motivate the contributions by certain eligible participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;
2. attract suitable personnel for further development of the Group; and
3. provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption (i.e. 13 September 2017), unless otherwise early terminated by the Board.

Pursuant to the Share Award Scheme, Shares will be purchased and/or subscribed by the independent trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. Vested Shares will be transferred to the selected employees at no cost. At no point in time shall the independent trustee be holding more than 5% of the total number of Shares in issue under the Share Award Scheme.

Details of the rules of the Share Award Scheme (the “**Scheme Rules**”) are set out in the announcement of the Company dated 13 September 2017.

On 20 March 2020, the Board (including all independent non-executive Directors), based on the recommendation of the remuneration committee of the Company, resolved to award an aggregate of 6,769,105 Shares (the “**Awarded Shares**”) under the Share Award Scheme to 604 selected participants (the “**Selected Participants**”) pursuant to the Scheme Rules, of which 5,801,142 Awarded Shares were awarded to 595 independent Selected Participants and 967,963 Awarded Shares were granted to 9 Directors. Please refer to the announcement of the Company dated 20 March 2020 for details of the grant.

Other Information

A summary of the Awarded Shares granted to Selected Participants during the period of six months ended 30 June 2020 are set forth below:

Awardee and position	No. of Awarded Shares granted on 20 March 2020	Total Awarded Shares granted during the six months ended		Vesting date	Vesting conditions
		30 June 2020			
Executive Directors					
Yang Xianxiang	190,470	190,470		The third anniversary of the date of grant, i.e. 20 March 2023 or an earlier date as approved by the Board.	Subject to the terms of the Scheme Rules and the fulfillment of all vesting conditions specified by the Board.
Liu Kecheng	167,216	167,216			
Xue Peng	155,533	155,533			
Xue Mingyuan	202,937	202,937			
Lai Zhiyong	183,807	183,807			
Independent non-executive Directors					
Tsui Yung Kwok	17,000	17,000			
Yeung Kwok On	17,000	17,000			
Lo Wing Yan, William	17,000	17,000			
Ngai Wai Fung	17,000	17,000			
Other employees					
Other employees	5,801,142	5,801,142			
Total		<u>6,769,105</u>			

INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2020, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”)

Other Information

as set out in Appendix 10 of the Listing Rules, were as follows:

(i) Interest in the Shares

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
YANG Shaopeng ⁽²⁾	Interest in controlled corporation	1,375,390,231 (L)	51.34%
	Beneficial owner	10,619,000 (L)	0.40%
YANG Xianxiang	Beneficial owner	8,870,394 (L)	0.33%
LIU Kecheng	Beneficial owner	1,616,307 (L)	0.06%
XUE Peng ⁽³⁾	Interest in controlled corporation	12,866,176 (L)	0.48%
	Beneficial owner	1,978,250 (L)	0.07%
LAI Zhiyong ⁽⁴⁾	Beneficiary of the Go Thrive Trust	3,037,847 (L)	0.11%
	Beneficial Owner	1,488,046 (L)	0.06%
XUE Mingyuan ⁽⁴⁾	Beneficiary of the Go Thrive Trust	1,906,100 (L)	0.07%
	Beneficial owner	2,869,664 (L)	0.11%
TSUI Yung Kwok	Beneficial Owner	862,438 (L)	0.03%
YEUNG Kwok On	Beneficial Owner	163,438 (L)	0.01%
LO Wing Yan, William	Beneficial Owner	162,438 (L)	0.01%
NGAI Wai Fung	Beneficial Owner	862,438 (L)	0.03%

Notes:

- (1) The letters “L” denotes the person’s long position in the Shares.
- (2) 1,375,390,231 Shares were held by Resourceful Link Management Limited (“**Resourceful Link**”). The issued share capital of Resourceful Link was owned as to 79.82% by Better Master Limited (“**Better Master**”). Better Master was owned as to 100% by Mr. YANG Shaopeng.

Other Information

- (3) 12,866,176 Shares were held by Watercrests Profits Limited, which was owned as to 100% by Add Investments Company Limited, which was in turn owned as to 100% by Mr. XUE Peng.
- (4) 3,037,847 Shares and 1,906,100 Shares were held by Go Thrive Limited, which was wholly owned by Mr. ZHAO Zhiyong, as the trustee holding such interests for the beneficiaries of Go Thrive Trust, including Mr. LAI Zhiyong and Mr. XUE Mingyuan.
- (ii) Interest in underlying Shares

Name of Director	Nature of interest	Number of Shares in the Company subject to options under the Pre-IPO Share Option Scheme	Number of Shares in the Company subject to options under the Post-IPO Share Option Scheme	Number of Shares in the Company subject to vesting under the Share Award Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the Shares subject to vesting under the Share Award Scheme ^(Note)
YANG Xianxiang	Beneficial owner	-	-	544,171	0.02%
LIU Kecheng	Beneficial owner	-	-	510,084	0.02%
XUE Peng	Beneficial owner	-	-	407,435	0.02%
XUE Mingyuan	Beneficial owner	-	-	792,625	0.03%
LAI Zhiyong	Beneficial owner	-	-	349,935	0.01%
TSUI Yung Kwok	Beneficial owner	-	-	51,816	0.002%
YEUNG Kwok On	Beneficial owner	-	-	51,816	0.002%
LO Wing Yan, William	Beneficial owner	-	100,000	51,816	0.006%
NGAI Wai Fung	Beneficial owner	-	-	51,816	0.002%

Note: Assuming full exercise of the options under both the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme

Other Information

(iii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
YANG Shaopeng ⁽¹⁾	Resourceful Link	55,290	79.82%
YANG Xianxiang ⁽²⁾	Resourceful Link	11,776	17.00%
LIU Kecheng ⁽³⁾	Resourceful Link	2,205	3.18%

Notes:

- (1) Resourceful Link was interested in approximately 51.34% of the issued share capital of the Company. Resourceful Link was owned as to 79.82% by Better Master, which was in turn owned as to 100% by Mr. YANG Shaopeng.
- (2) Resourceful Link was interested in approximately 51.34% of the issued share capital of the Company. Jixiang Limited was interested in 17.00% of the issued share capital of Resourceful Link. Jixiang Limited was in turn owned as to 100% by Mr. YANG Xianxiang.
- (3) Resourceful Link was interested in approximately 51.34% of the issued share capital of the Company. Yicheng Group Limited was interested in 3.18% of the issued share capital of Resourceful Link. Yicheng Group Limited was in turn owned as to 100% by Mr. LIU Kecheng.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to any Director, as at 30 June 2020, the following persons (other than the Directors and chief executives of the Company) had interest and/or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of Shares ⁽¹⁾	Percentage of shareholding
LIU Rongli ⁽²⁾	Interest of spouse	1,386,009,231 (L)	51.74%
Resourceful Link ⁽³⁾	Beneficial owner	1,375,390,231 (L)	51.34%
Better Master ⁽³⁾	Interest in controlled corporation	1,375,390,231 (L)	51.34%

Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) Ms. LIU Rongli is the spouse of Mr. YANG Shaopeng and is also deemed to be interested in all the Shares held by Mr. YANG Shaopeng by virtue of the SFO.
- (3) Resourceful Link was owned as to 79.82%, 17.00% and 3.18% by Better Master, Jixiang Limited and Yicheng Group Limited. Better Master was owned as to 100% by Mr. YANG Shaopeng. Jixiang Limited was owned as to 100% by Mr. YANG Xianxiang. Yicheng Group Limited was owned as to 100% by Mr. LIU Kecheng.

CORPORATE GOVERNANCE

The Company is committed to maintaining stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the six months ended 30 June 2020, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set out in the CG Code for the six months ended 30 June 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code and devised its own code of conduct regarding directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2020.

UPDATE ON INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) for the six months ended 30 June 2020 are as follows:

Dr. Lo Wing Yan William has been appointed as an independent non-executive director of South Shore Holdings Limited (the Stock Exchange, Stock Code: 577) with effect from 6 April 2020.

Dr. Ngai Wai Fung retired as an independent non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company (the Stock Exchange, Stock Code: 6869) and Health and Happiness (H&H) International Holdings Limited (the Stock Exchange, Stock Code: 1112) with effect from 24 January 2020 and 8 May 2020, respectively. Dr. Ngai Wai Fung also retired as an independent director of LDK Solar Co., Ltd. with effect from 14 April 2020. LDK Solar Co., Ltd. is a company whose shares were formerly listed on New York Stock Exchange (Stock Code: LDK) and currently listed on OTC Pink Limited Information (Stock Code: LDKYQ).

PURCHASE, SALE AND REDEMPTION OF SHARES

References are made to the announcements of the Company dated 13 September 2017 and 20 March 2020 in respect of the adoption of the Share Award Scheme and the grant of Awarded Shares pursuant to the Share Award Scheme.

During the period from 17 March 2020 to 19 March 2020, the trustee of the Share Award Scheme purchased on the market an aggregate of 6,769,105 Shares for the purpose of the Share Award Scheme at a total consideration of approximately HK\$49.1 million.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the Listing Rules throughout six months ended 30 June 2020.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control. The Audit Committee comprises three members who are the independent non-executive Directors, namely Mr. TSUI Yung Kwok, Dr. LO Wing Yan, William and Dr. NGAI Wai Fung. Mr. TSUI Yung Kwok is the chairman of the Audit Committee. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2020.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitc.com>) in due course.

For and on behalf of the Board

YANG Shaopeng

Chairman

21 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
REVENUE	3	742,943	746,081
Cost of sales		(584,416)	(603,173)
Gross profit		158,527	142,908
Other income and gains, net	4	12,269	11,634
Administrative expenses		(42,816)	(37,997)
Other expenses, net		(885)	(785)
Finance costs	5	(6,926)	(6,936)
Share of profits and losses of:			
Joint ventures		4,197	4,081
Associates		162	197
PROFIT BEFORE TAX	6	124,528	113,102
Income tax	7	(4,889)	(4,319)
PROFIT FOR THE PERIOD		119,639	108,783

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/ (LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(7,055)	(3,050)
Reclassification adjustments for losses included in profit or loss	881	779
	(6,174)	(2,271)
Changes in fair value of debt investments at fair value through other comprehensive income	-	917
Exchange differences on translation of foreign operations	(2,202)	69
Share of other comprehensive income/ (loss) of joint ventures	(96)	58
Share of other comprehensive loss of associates	(108)	(16)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(8,580)	(1,243)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	(8,580)	(1,243)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	111,059	107,540
Profit for the period attributable to:		
Shareholders of the Company	118,610	107,964
Non-controlling interests	1,029	819
	119,639	108,783
Total comprehensive income for the period attributable to:		
Shareholders of the Company	110,199	106,642
Non-controlling interests	860	898
	111,059	107,540

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		US\$'000	US\$'000
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	Note 9		
Basic (US cents per share)		4.46	4.07
Diluted (US cents per share)		4.43	4.03

Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	994,476	969,957
Right-of-use assets		159,342	164,308
Advance payments for acquisition of vessels		44,369	49,954
Goodwill		1,002	1,016
Other intangible assets		1,579	1,579
Investments in joint ventures		35,307	34,467
Investments in associates		9,740	9,703
Derivative financial instruments		2,828	14
Total non-current assets		1,248,643	1,230,998
CURRENT ASSETS			
Bunkers		16,698	22,067
Trade receivables	11	53,771	70,551
Prepayments, deposits and other receivables		22,012	18,903
Derivative financial instruments		312	252
Principal-protected investment deposits at fair value through profit or loss	12	4,311	7,410
Cash and bank balances		466,928	399,363
Total current assets		564,032	518,546

Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	13	146,549	137,862
Other payables and accruals	14	59,126	60,315
Derivative financial instruments		1,262	–
Bank borrowings		92,248	55,416
Lease liabilities		40,047	38,498
Dividend payables		207	102,615
Income tax payables		1,207	1,610
Total current liabilities		340,646	396,316
NET CURRENT ASSETS			
		223,386	122,230
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,472,029	1,353,228
NON-CURRENT LIABILITIES			
Derivative financial instruments		5,547	–
Bank borrowings		329,990	226,596
Lease liabilities		100,294	104,656
Provision for reinstatement costs		2,469	2,406
Total non-current liabilities		438,300	333,658
Net assets		1,033,729	1,019,570

Condensed Consolidated Statement of Financial Position

30 June 2020

	Note	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	15	34,536	34,513
Reserves		989,784	975,730
		1,024,320	1,010,243
Non-controlling interests		9,409	9,327
Total equity		1,033,729	1,019,570

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Six months ended 30 June 2020

Note	Attributable to shareholders of the Company											Total equity US\$'000 (unaudited)								
	Issued capital US\$'000 (unaudited)	Shares held		Share-based compensation		Capital and other reserves		Hedging reserve		Fair value reserve			Exchange fluctuation reserve		Reserve funds		Retained profits		Total	
		US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)		US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (unaudited)
At 1 January 2020	34,513	389,330*	(15,933)*	13,953*	(7,623)*	(6,311)*	21*	5,894*	5,615*	532,846*	1,010,243	932*	1,019,570							
Profit for the period	-	-	-	-	-	-	-	-	-	118,510	118,510	1,029	119,539							
Other comprehensive income/loss for the period:																				
Changes in fair value of debt investments at fair value through other comprehensive income, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedges, net of income tax	-	-	-	-	-	(6,174)	-	-	-	-	(6,174)	-	-	-	-	-	-	-	-	(6,174)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,033)	-	-	-	(2,033)	-	-	-	-	-	-	-	-	(2,202)
Share of other comprehensive income/loss of:																				
Joint ventures	-	-	-	-	-	-	-	(96)	-	-	(96)	-	-	-	-	-	-	-	-	(96)
Associates	-	-	-	-	-	-	(108)	-	-	-	(108)	-	-	-	-	-	-	-	-	(108)
Total comprehensive income/loss for the period	-	-	-	-	-	(6,174)	(2,237)	(2,237)	-	118,510	110,199	860	111,059							
Capital contribution from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares upon exercise of share options under the pre-IPO share option scheme	15	489	(26)	(26)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	718
Issue of shares upon exercise of share options under the post-IPO share option scheme	15	10	(383)	(102)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	488
Repurchase of shares	-	-	(6,374)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	301
Share award expenses	-	-	-	2,778	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,372)
Distribution of shares	-	-	-	(3,468)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,778
Transfer to reserve funds	-	-	-	-	-	-	-	-	127	(127)	-	-	-	-	-	-	-	-	-	-
Dividend declared to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,485)
Final 2019 dividend paid	-	-	-	-	-	-	-	-	-	(80,319)	(80,319)	-	-	-	-	-	-	-	-	(80,319)
At 30 June 2020	34,516	389,882*	(16,817)*	13,121*	(7,623)*	(12,465)*	21*	6,071*	5,742*	618,014*	1,024,220	940*	1,033,729							

* These reserve accounts comprise the consolidated reserves of US\$989,784,000 (unaudited) (31 December 2019: US\$975,790,000) in the condensed consolidated statement of financial position as at 30 June 2020.

Six months ended 30 June 2019

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to shareholders of the Company												
	Share premium account US\$'000 (unaudited)	Share-based compensation reserve US\$'000 (unaudited)	Capital and other reserves US\$'000 (unaudited)	Hedging reserve US\$'000 (unaudited)	Fair value reserve US\$'000 (unaudited)	Exchange fluctuation reserve US\$'000 (unaudited)	Reserve funds US\$'000 (unaudited)	Retained profits US\$'000 (unaudited)	Total US\$'000 (unaudited)	Non-controlling interests US\$'000 (unaudited)	Total equity US\$'000 (unaudited)		
At 1 January 2019	34,383	394,127	(10,272)	9,101	(7,623)	(8,054)	(1,137)	(4,466)	5,207	625,776	1,037,032	8,667	1,045,699
Profit for the period	-	-	-	-	-	-	-	-	-	107,954	107,954	819	108,773
Other comprehensive income/loss for the period:													
Changes in fair value of debt investments at fair value through other comprehensive income, net of income tax	-	-	-	-	-	917	-	-	-	-	917	-	917
Cash flow hedges, net of income tax	-	-	-	-	-	(2,271)	-	-	-	-	(2,271)	-	(2,271)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(10)	-	-	-	(10)	79	69
Share of other comprehensive income/loss of:													
Joint ventures	-	-	-	-	-	-	58	-	-	-	58	-	58
Associates	-	-	-	-	-	-	(16)	-	-	-	(16)	-	(16)
Total comprehensive income/loss for the period	-	-	-	-	(2,271)	917	32	-	-	107,954	106,642	888	107,540
Capital reduction of a subsidiary attributable to a non-controlling equity holder	-	-	-	-	-	-	-	-	-	-	-	(588)	(588)
Issue of shares upon exercise of share options under the pre-PO share option scheme	31	1,208	-	(63)	-	-	-	-	-	-	1,176	-	1,176
Issue of shares upon exercise of share options under the post-PO share option scheme	8	388	-	(91)	-	-	-	-	-	-	305	-	305
Repurchase of shares	-	-	(5,653)	-	-	-	-	-	-	-	(5,653)	-	(5,653)
Share award expenses	-	-	-	2,447	-	-	-	-	-	-	2,447	-	2,447
Transfer to reserve funds	-	-	-	-	-	-	-	239	-	(261)	-	-	-
Dividend declared to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,516)	(1,516)
Final 2018 dividend paid	-	-	-	-	-	-	-	-	-	(88,439)	(88,439)	-	(88,439)
At 30 June 2019	34,422	395,723	(15,301)	11,354	(7,891)	(10,235)	(220)	(4,454)	5,466	644,930	1,153,444	7,482	1,160,926

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	202,886	155,267
Interest income received	6,595	6,582
Interest paid	(3,746)	(4,461)
Overseas tax paid	(5,091)	(4,715)
	200,644	152,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital reduction of a subsidiary attributable to a non-controlling equity holder	-	(568)
Purchases of items of property, plant and equipment	(7,322)	(3,277)
Proceeds from disposal of items of property, plant and equipment	30	47
Advance payments for acquisition of vessels	(45,722)	(45,856)
Proceeds from investment income of principal-protected investment deposit at fair value through profit or loss	120	423
Net disposal of principal-protected investment deposits at fair value through profit or loss	3,099	12,894
Increase in non-pledged time deposits with original maturity of over three months but less than one year when acquired	(271,635)	(524,719)
Decrease in non-pledged time deposits with original maturity of over three months but less than one year when acquired	514,483	227,452
Withholding tax paid on dividends received	(201)	(55)
Dividends received from joint ventures	3,359	3,773
Other cash flows from investing activities, net	17	7
	196,228	(329,879)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares pursuant to exercise of share options	787	1,481
Repurchase of shares	(6,372)	(5,659)
Capital contribution from a non-controlling equity holders of subsidiaries	718	–
New bank borrowings	441,049	209,002
Repayment of bank borrowings	(301,360)	(101,648)
Principal portion of lease payments	(23,660)	(14,862)
Payment for provision for reinstatement costs	(168)	–
Dividends paid	(195,723)	(88,499)
Dividends paid to non-controlling equity holders of subsidiaries	(1,496)	(1,505)
Net cash flows used in financing activities	(86,225)	(1,690)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	310,647	(178,896)
Cash and cash equivalents at beginning of period	76,512	277,036
Effect of foreign exchange rate changes, net	(231)	296
CASH AND CASH EQUIVALENTS AT END OF PERIOD	386,928	98,436
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	125,351	46,786
Non-pledged time deposits	341,577	452,583
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	466,928	499,369
Less: Non-pledged time deposits with original maturity of over three months when acquired	(80,000)	(400,933)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	386,928	98,436

1.1 CORPORATE INFORMATION

SITC International Holdings Company Limited (the “**Company**”) was a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY-1111, Cayman Islands. The Company’s principal place of business in Hong Kong is located at 21/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the following businesses:

- the provision of integrated logistics services, including provision of container transport, freight forwarding, shipping agency, depot and warehousing services; and
- the provision of dry bulk vessel leasing, air-freight forwarding, land leasing and other services.

In the opinion of the directors, the immediate holding company of the Company is Resourceful Link Management Limited, which is incorporated in the British Virgin Islands (the “**BVI**”), and the ultimate holding company of the Company is Better Master Limited, which is incorporated in the BVI.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). This condensed consolidated interim financial information is presented in the United States dollar (“**US\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

This condensed consolidated interim financial information has not been audited but has been reviewed by the Audit and Risk Management Committee of the Company. It does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2019.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) (continued)

The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments do not have any significant impact on the financial position and performance of the Group.

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(c) (continued)

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of US\$45,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reporting segments as follows:

- (a) the container shipping and logistics segment, which is engaged in the provision of integrated logistics services, including provision of container transport, freight forwarding, shipping agency, depot and warehousing services; and
- (b) the dry bulk and others segment, which is engaged in the provision of dry bulk vessel leasing, air-freight forwarding, land leasing and other services.

Segment assets exclude cash and bank balances, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, derivative financial instruments, income tax payables and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

2. OPERATING SEGMENT INFORMATION (continued)

Basis of segment information

	Container shipping and logistics		Dry bulk and others		Total	
	Six months ended 30 June 2020 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2020 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2020 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)
Segment revenue:						
Sales to external customers	731,960	733,123	10,983	12,958	742,943	746,081
Segment results	123,337	108,591	1,997	4,442	125,334	113,033
<i>Reconciliation:</i>						
Bank interest income					6,000	6,318
Interest income of debt investments at fair value through other comprehensive income					-	264
Investment income of principal- protected investment deposits at fair value through profit or loss					120	423
Finance costs					(6,926)	(6,936)
Profit before tax					124,528	113,102

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

2. OPERATING SEGMENT INFORMATION (continued)

Basis of segment information (continued)

	Container shipping and logistics		Dry bulk and others		Total	
	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Segment assets	1,185,034	1,014,505	142,176	145,184	1,327,210	1,159,689
<i>Reconciliation:</i>						
Corporate and other unallocated assets					485,465	589,855
Total assets					1,812,675	1,749,544
Segment liabilities	331,324	431,302	3,142	479	334,466	431,781
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					444,480	298,193
Total liabilities					778,946	729,974

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

3. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended	
	30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	731,960	733,123
Revenue from other sources:		
Time charter income	10,216	12,219
Other rental income	767	739
	742,943	746,081

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

3. REVENUE (continued)

Notes:

(a) Disaggregated revenue information

Six months ended 30 June 2020

Segments	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Type of services			
Container shipping and supporting logistics income	655,694	–	655,694
Other container logistics income [#]	76,266	–	76,266
Total revenue from contracts with customers	731,960	–	731,960
Revenue from other sources	–	10,983	10,983
Total revenue	731,960	10,983	742,943
Geographical markets			
Greater China*	282,194	–	282,194
Japan	198,388	–	198,388
Southeast Asia	216,391	–	216,391
Others	34,987	–	34,987
Total revenue from contracts with customers	731,960	–	731,960
Revenue from other sources	–	10,983	10,983
Total revenue	731,960	10,983	742,943

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

3. REVENUE (continued)

Notes: (continued)

(a) Disaggregated revenue information (continued)

Six months ended 30 June 2020 (continued)

Segments	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Timing of revenue recognition			
Total revenue from contracts with customers -			
Service transferred over time	731,960	-	731,960
Revenue from other sources	-	10,983	10,983
Total revenue	731,960	10,983	742,943

Other container logistics income includes freight forwarding income, shipping agency income and depot and warehousing income.

* Greater China includes Mainland China, Hong Kong and Taiwan.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

3. REVENUE (continued)

Notes: (continued)

(a) Disaggregated revenue information (continued)

Six months ended 30 June 2019

Segments	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Type of services			
Container shipping and supporting logistics income	668,369	–	668,369
Other container logistics income [#]	64,754	–	64,754
<hr/>			
Total revenue from contracts with customers	733,123	–	733,123
Revenue from other sources	–	12,958	12,958
<hr/>			
Total revenue	733,123	12,958	746,081
<hr/>			
Geographical markets			
Greater China*	288,087	–	288,087
Japan	194,435	–	194,435
Southeast Asia	218,355	–	218,355
Others	32,246	–	32,246
<hr/>			
Total revenue from contracts with customers	733,123	–	733,123
Revenue from other sources	–	12,958	12,958
<hr/>			
Total revenue	733,123	12,958	746,081
<hr/>			

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

3. REVENUE (continued)

Notes: (continued)

(a) Disaggregated revenue information (continued)

Six months ended 30 June 2019 (continued)

Segments	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Timing of revenue recognition			
Total revenue from contracts with customers -			
Service transferred over time	733,123	–	733,123
Revenue from other sources	–	12,958	12,958
Total revenue	733,123	12,958	746,081

Other container logistics income includes freight forwarding income, shipping agency income and depot and warehousing income.

* Greater China includes Mainland China, Hong Kong and Taiwan.

(b) Performance obligations

Information about the Group's performance obligations in contracts with customers is summarised below:

Container shipping and supporting logistics income

The performance obligation relates to provision of container marine transportation and is satisfied over time as services are rendered and payment is generally due within 15 days upon the completion of the voyage, except for selected customers, where payment term can be extended up to 3 months.

Other container logistics income

The performance obligation is satisfied when the services of integrated freight forwarding, shipping agency, etc. are rendered and payment is generally due within 15 days from the date of billing.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

4. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Other income		
Bank interest income	6,000	6,318
Interest income of debt investments at fair value through other comprehensive income	–	264
Investment income of principal- protected investment deposits at fair value through profit or loss	120	423
Government subsidies*	1,651	996
Others	4	94
	7,775	8,095
Gains, net		
Gains on disposal of items of property, plant and equipment, net	30	124
Fair value gains on derivative instruments – transactions not qualifying as hedges, net	327	360
Foreign exchange differences, net	4,137	3,055
	4,494	3,539
Other income and gains, net	12,269	11,634

- * The amount represented (i) subsidies received from certain governmental authorities in Mainland China for the Group's operation of container shipping and logistics businesses, which are no unfulfilled conditions or contingencies relating to these grants and (ii) subsidies under Employment Support Scheme in Hong Kong which required to provide an undertaking not to make redundancies during the subsidy period and to spend all the wage subsidies to the employees.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

5. FINANCE COSTS

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Interest on bank borrowings	3,888	4,461
Interest on lease liabilities	2,987	2,438
Increase in discounted amounts of provision for reinstatement costs arising from the passage of time	51	37
Total finance costs	6,926	6,936

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of services provided:		
Cost of bunkers consumed	85,703	100,367
Others	498,713	502,806
	584,416	603,173
Depreciation of property, plant and equipment	33,853	32,845
Less: Included in cost of services provided	(32,213)	(30,811)
	1,640	2,034
Depreciation of right-of-use assets	22,394	16,939
Less: Included in cost of services provided	(20,790)	(15,969)
	1,604	970
Fair value losses of cash flow hedges (transfer from equity), net*	881	779
Reversal of impairment of trade receivable, net*	-	(2)

* These items are included in "Other expenses, net" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current:		
Mainland China	1,176	444
Hong Kong	275	318
Elsewhere	3,438	3,557
	<hr/>	<hr/>
Total tax expense for the period	4,889	4,319

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The share of income tax expense attributable to joint ventures and associates for the six months ended 30 June 2020 amounting to US\$1,190,000 (six months ended 30 June 2019: US\$1,046,000) are included in "Share of profits and losses of joint ventures and associates" in the condensed consolidated statement of profit or loss and other comprehensive income.

8. INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on 21 August 2020, the Board resolved to declare an interim dividend of HK22 cents (equivalent to US2.84 cents) (six months ended 30 June 2019: HK18 cents) per share, totaling US\$76,082,000 (six months ended 30 June 2019: US\$61,441,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the period less shares held under share award scheme of the Company.

The calculation of the diluted earnings per share is based on the profit for the period attributable to shareholders of the Company; and the weighted average number of ordinary shares used in the calculation is the total of (i) weighted average number of ordinary shares in issue during the period as used in the basic earnings per share calculation; (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options into ordinary shares; and (iii) the weighted average number of ordinary shares assumed to have been awarded at no consideration on the deemed exercise of all rights of shares held under the share award scheme of the Company.

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (continued)

The calculations of the basic and diluted earnings per share amounts are based on:

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	118,610	107,964
	118,610	107,964
	Number of shares for the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period less shares held in share award scheme, used in the basic earnings per share calculation	2,658,016,795	2,652,743,357
Effect of dilution – weighted average number of ordinary shares:		
Share options	2,675,390	7,442,298
Shares held under the share award scheme	16,746,116	16,543,428
	16,746,116	16,543,428
Weighted average number of ordinary shares during the period, used in the diluted earnings per share calculation	2,677,438,301	2,676,729,083
	2,677,438,301	2,676,729,083

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment at a total cost of US\$58,629,000 (six months ended 30 June 2019: US\$49,003,000) and disposed of items of property, plant and equipment with an aggregate carrying amount of US\$257,000 (six months ended 30 June 2019: US\$485,000).

11. TRADE RECEIVABLES

	Notes	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Trade receivables	(a)	53,959	70,870
Impairment	(c)	(188)	(319)
		53,771	70,551

Notes:

- (a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 days, extending up to three months for selected customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2020

11. TRADE RECEIVABLES (continued)

Notes: (continued)

- (b) An ageing analysis of the trade receivables as at the end of reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Within 1 month	43,437	60,916
1 to 2 months	7,044	7,529
2 to 3 months	1,885	1,046
Over 3 months	1,405	1,060
	53,771	70,551

- (c) The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
At beginning of period/year	319	287
Impairment loss, net	-	76
Amount written off as uncollectible	(131)	(44)
At end of period/year	188	319

11. TRADE RECEIVABLES (continued)

Notes: (continued)

(c) (continued)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses rate of 0.108% (31 December 2019: 0.108%) is provided for the external customers with good credit. External customers with credit deterioration (i.e. overdue by more than 3 months) will be assessed on an individual basis for the provision of expected credit losses. Generally, trade receivables will be written off when past due for more than one year and are not subject to enforcement activity.

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

- (d) Included in the Group's trade receivables as at 30 June 2020 are amounts of US\$3,848,000 (31 December 2019: US\$8,614,000), US\$31,000 (31 December 2019: US\$36,000) and US\$191,000 (31 December 2019: US\$374,000) due from the Group's joint ventures, associates and companies controlled by Mr. Yang Shaopang, the controlling shareholder (the "**Controlling Shareholder**") of the Group, respectively, which are repayable on credit terms similar to those offered to the selected customers of the Group.

12. PRINCIPAL-PROTECTED INVESTMENT DEPOSITS AT FAIR VALUE THROUGH PROFIT OR LOSS

These are unlisted investment deposits made with creditworthy banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. TRADE PAYABLES

- (a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
Within 1 month	106,928	104,582
1 to 2 months	22,510	22,706
2 to 3 months	6,108	5,099
Over 3 months	11,003	5,475
	146,549	137,862

- (b) Included in the Group's trade payables as at 30 June 2020 are amounts of US\$4,000,000 (31 December 2019: US\$4,050,000), US\$14,562,000 (31 December 2019: US\$5,946,000) and US\$616,000 (31 December 2019: US\$344,000) due to joint ventures, associates and companies controlled by the Controlling Shareholders, respectively, which are prepayable within 30 days.
- (c) The trade payables are non-interest-bearing and are normally settled on terms ranging from 15 to 45 days.

14. OTHER PAYABLES AND ACCRUALS

Included in the balances as at 30 June 2020 comprise contract liabilities of US\$10,849,000 (31 December 2019: US\$28,813,000), which represented the advance payments received from the customers for the container shipping service and will be recognised as revenue when the performance obligation is satisfied.

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30 June 2020

15. SHARE CAPITAL

	30 June 2020		31 December 2019	
	HK\$'000 (Unaudited)	US\$'000 equivalent (Unaudited)	HK\$'000 (Audited)	US\$'000 equivalent (Audited)
Authorised:				
5,000,000,000 ordinary shares of HK\$0.1 each	500,000		500,000	
Issued and fully paid:				
2,678,929,160				
(31 December 2019: 2,677,203,260) ordinary shares of HK\$0.1 each	267,893	34,536	267,720	34,513

A summary of the movement in the Company's issued share capital during the period is as follows:

	Number of issued and fully paid ordinary shares	Issued share capital	
	(Unaudited)	HK\$'000 (Unaudited)	US\$'000 equivalent (Unaudited)
At 1 January 2020	2,677,203,260	267,720	34,513
Issue of new shares upon exercise of share options (note)	1,725,900	173	23
At 30 June 2020	2,678,929,160	267,893	34,536

15. SHARE CAPITAL (continued)

Note: The subscription rights attaching to 987,100 share options issued under the pre-IPO share option scheme were exercised at subscription price of HK\$3.824 per share, resulting in the issue of 987,100 share of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$3,810,000 (equivalent to approximately US\$486,000). An amount of US\$26,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

The subscription rights attaching to 368,000 and 370,800 share options issued under the post-IPO share option schemes were exercised at the subscription price of HK\$1.968 and HK\$4.378 per share respectively, resulting in the issue of 738,800 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$2,362,000 (equivalent to approximately US\$301,000). An amount of US\$102,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

16. CAPITAL COMMITMENTS

At 30 June 2020, the Group had capital commitments of US\$102,160,000 (31 December 2019: US\$146,750,000) in total, which are contracted but not provided for, in respect of acquisition of vessels.

Notes to the Condensed Consolidated Interim Financial Information

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17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Companies controlled by the Controlling Shareholder:		
Container marine transportation services income	10,200	9,717
Container vessels rental expenses	4,728	2,935
Shipping agency fee expenses	888	837
Container rental expenses	302	300
Joint ventures:		
Container marine transportation service income	35,974	81,750
Freight forwarding service income for marine transportation	4,132	1,082
Warehousing expenses	884	542
Freight forwarding service expenses	623	2,229
Land and buildings rental income	838	832
Shipping agency fee expenses	4	2,328
Technology outsourcing service income	166	263
Container maintaining income	347	309
Associates:		
Container marine transportation service income	76,834	80,190
Shipping agency fee expenses	1,233	1,132

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

17. RELATED PARTY TRANSACTIONS (continued)

- (b) Compensation of key management personnel of the Group, which are also the directors of the Company, is as follows:

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,030	4,195
Post-employment benefits	11	15
Share-based compensation expense	403	313
Total compensation paid to key management	4,444	4,523

(c) Outstanding balances with related companies

The balances with related companies represent balances with companies which are controlled by the Controlling Shareholder, the joint ventures and the associates. The balances are unsecured, interest-free and repayable on credit terms similar to those offered to the selected customers of the Group.

None of the balances with related companies are either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and dividend payables approximate to their carrying amounts largely due to the short term maturities of these instruments. In addition, the management consider the Group's exposure to fair value and cash flow interest rate risks on the bank borrowings is insignificant as majority of the balances bear variable interest rates which did not significantly fluctuated in recent years.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair values measurement of financial instruments. The finance manager reports directly to the Chief Financial Officer and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Chief Financial Officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (a) The Group enters principal-protected investment deposits with creditworthy banks, and their fair values are determined with reference to market observable inputs currently available for investments with similar terms and credit risk. The carrying amounts of principal-protected investment deposits are the same as their fair values.
- (b) The Group enters into derivative financial instruments with various counterparties, principally financial institutions of creditworthy banks. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement of the Group's financial instruments:

Assets measured at fair value

At 30 June 2020

	Fair value measurement using			Total US\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) US\$'000 (Unaudited)	Significant observable inputs (Level 2) US\$'000 (Unaudited)	Significant unobservable inputs (Level 3) US\$'000 (Unaudited)	
Derivative financial instruments	-	3,140	-	3,140
Principal-protected investment deposits at fair value through profit or loss	-	4,311	-	4,311
	-	7,451	-	7,451

At 31 December 2019

	Fair value measurement using			Total US\$'000 (Audited)
	Quoted prices in active markets (Level 1) US\$'000 (Audited)	Significant observable inputs (Level 2) US\$'000 (Audited)	Significant unobservable inputs (Level 3) US\$'000 (Audited)	
Derivative financial instruments	-	266	-	266
Principal-protected investment deposits at fair value through profit or loss	-	7,410	-	7,410
	-	7,676	-	7,676

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value

At 30 June 2020

	Fair value measurement using			Total US\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) US\$'000 (Unaudited)	Significant observable inputs (Level 2) US\$'000 (Unaudited)	Significant unobservable inputs (Level 3) US\$'000 (Unaudited)	
Derivatives financial instruments	–	6,809	–	6,809

At 31 December 2019

	Fair value measurement using			Total US\$'000 (Audited)
	Quoted prices in active markets (Level 1) US\$'000 (Audited)	Significant observable inputs (Level 2) US\$'000 (Audited)	Significant unobservable inputs (Level 3) US\$'000 (Audited)	
Derivatives financial instruments	–	–	–	–

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 (six months ended 30 June 2019: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 21 August 2020.