

# 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



# SITC

Interim Report

# 2014





# Contents

# 2014

|           |   |
|-----------|---|
| <b>2</b>  | Corporate Information   |
| <b>4</b>  | Financial and Operating Highlights  |
| <b>5</b>  | Management Discussion and Analysis  |
| <b>13</b> | Other Information   |
| <b>23</b> | Condensed Consolidated Interim<br>Financial Information                                 |
| 23        | Condensed Consolidated Statement of<br>Profit or Loss and Other<br>Comprehensive Income |
| 25        | Condensed Consolidated Statement of<br>Financial Position                               |
| 27        | Condensed Consolidated Statement of<br>Changes in Equity                                |
| 29        | Condensed Consolidated Statement<br>of Cash Flows                                       |
| <b>31</b> | Notes to the Condensed Consolidated Interim<br>Financial Information                    |

# Corporate Information

## DIRECTORS

### Executive Directors

YANG Shaopeng (*Chairman*)  
YANG Xianxiang (*Vice-Chairman and Chief Executive Officer*)  
LIU Kecheng  
XUE Peng (*Joint 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

## REGISTERED OFFICE

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

## CORPORATE HEADQUARTERS

Rooms 2202-2203, 22/F  
Office Tower, Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

## HEADQUARTER IN THE PRC

No. 30, 1388 Zhangdong Road  
Pudong District  
Shanghai  
PRC

## AUTHORISED REPRESENTATIVES

LIU Kecheng  
XUE Peng

## JOINT COMPANY SECRETARIES

XUE Peng  
HO Siu Pik (FCS, FCIS)

## Corporate Information

### PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG SHARE REGISTRAR

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

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited  
China Merchants Bank  
Bank of China  
Bank of America  
Citibank

### AUDITORS

Ernst & Young

### LEGAL ADVISORS

#### As to Hong Kong law:

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

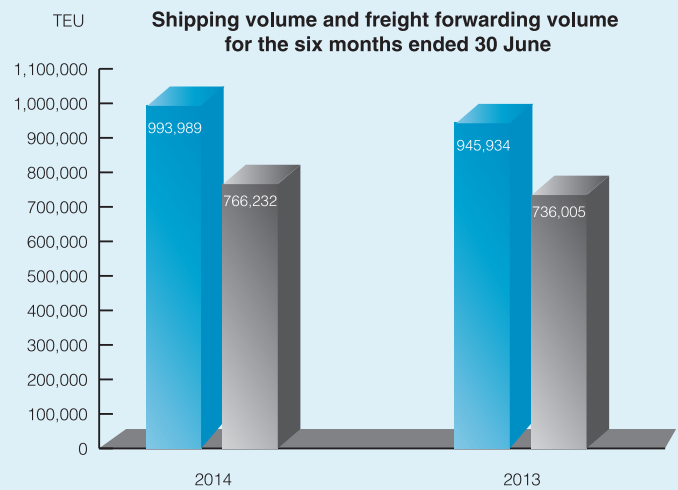
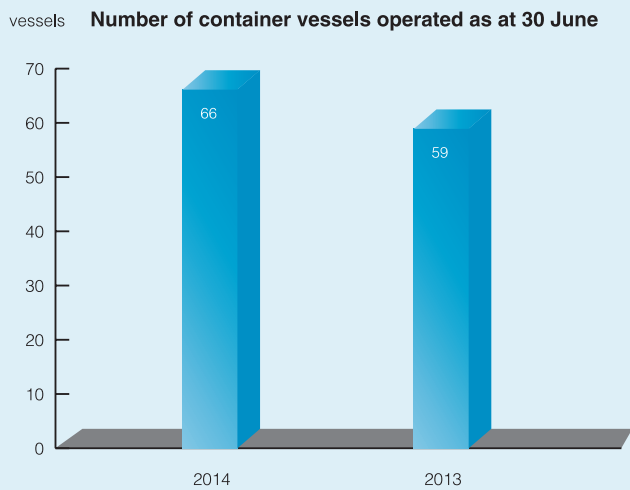
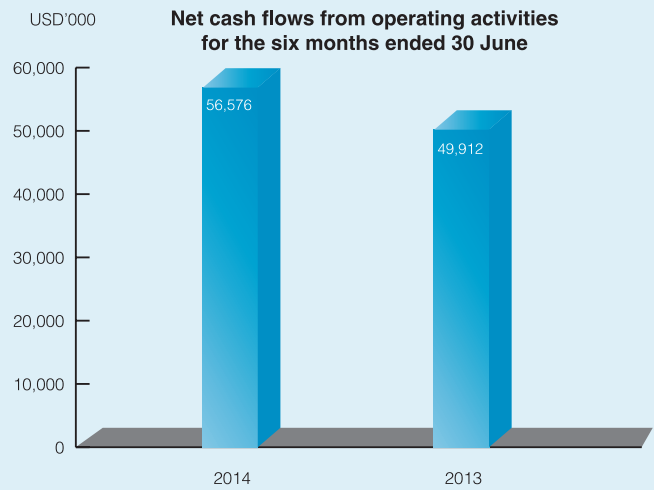
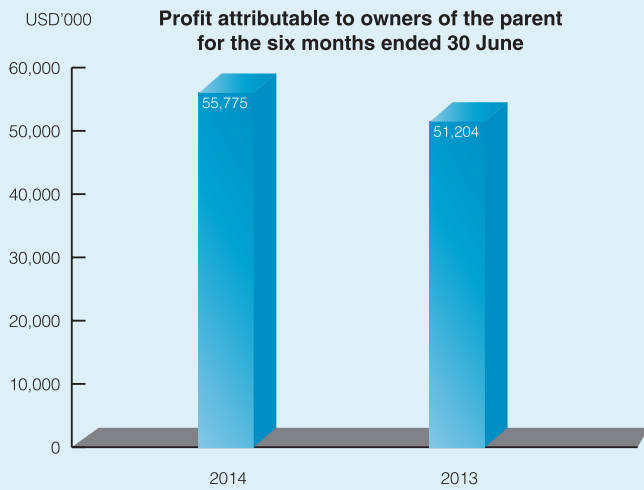
#### As to Cayman Islands law:

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

### WEBSITE

[www.sitc.com](http://www.sitc.com)

# Financial and Operating Highlights



■ Shipping volume    ■ Freight forwarding volume

# Management Discussion and Analysis

## OVERVIEW

### Business Review

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

During the six months ended 30 June 2014, the Group's sea freight logistics business continued to provide container shipping 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 2014, the Group operated 53 trade lanes, including 13 trade lanes through joint services and 17 trade lanes through container slot exchange arrangements. These trade lanes covered major ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia and Indonesia. As of 30 June 2014, the Group operated a fleet of 66 vessels with a total capacity of 74,795 TEU, comprised of 32 self-owned (33,103 TEU) and 34 chartered vessels (41,692 TEU), with an average age of 8.6 years. 52 of these 66 vessels were of the 1,000 TEU type. For the six months ended 30 June 2014, US\$30.6 million out of US\$53.8 million of paid out capital expenditure was attributable to vessel purchases. Revenue generated by the Group's sea freight logistics business before inter-segment elimination for the first half of 2014 increased by approximately 6.7% from US\$471.0 million for the six months ended 30 June 2013 to US\$502.6 million for the corresponding period in 2014. The increase was primarily attributable to the increase in our shipping volume from 945,934 TEU for the six months ended 30 June 2013 to 993,989 TEU for the corresponding period in 2014.

The land-based logistics business is another key component of the Group's business model, which comprised freight forwarding, shipping agency, terminal, depot and warehousing, trucking and ship brokerage businesses. As of 30 June 2014, the Group's freight forwarding network covered 37 major cities in the PRC, Japan, Korea, Vietnam, Hong Kong, Singapore and Cambodia, while the Group's shipping agency network covered 50 major ports and cities in the PRC, Japan, Korea, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia and Indonesia. The Group also operated (including through joint ventures) approximately 780,000 m<sup>2</sup> of depot and 99,000 m<sup>2</sup> of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination for the first half of 2014 increased by approximately 6.8% from US\$354.6 million for the six months ended 30 June 2013 to US\$378.8 million for the corresponding period in 2014. The increase was primarily attributable to the increase in the freight forwarding volume from 736,005 TEU for the six months ended 30 June 2013 to 766,232 TEU for the corresponding period in 2014.

With the Group's continuous business expansion, the Company will continue to optimize its unique business model and expand its intra-Asia service network. During the first half of 2014, the Group acquired two companies and completed capital injection to a logistic project accounted to US\$4.4 million and US\$0.1 million respectively to further enhance the land-based logistic business. At the same time, the Company will continue to adjust the ratio of self-owned vessels by capturing vessel price dynamics, so as to keep pace with the development of the business and secure a long-term competitive cost position. Through the above measures and together with the continuous enhancement on the Group's information technology systems, 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 |            |                      |            |                     |            |           |            |
|---|----------------------------------|------------|----------------------|------------|---------------------|------------|-----------|------------|
|   | 2014                             | 2013       | 2014                 | 2013       | 2014                | 2013       | 2014      | 2013       |
|   | Sea freight logistics            |            | Land-based logistics |            | Inter-segment sales |            | Total     |            |
|   | US\$' 000                        | US\$' 000  | US\$' 000            | US\$' 000  | US\$' 000           | US\$' 000  | US\$' 000 | US\$' 000  |
|   |                                  | (restated) |                      | (restated) |                     | (restated) |           | (restated) |
| <b>Revenue</b>  | 502,619                          | 471,041    | 378,753              | 354,559    | (223,751)           | (231,760)  | 657,621   | 593,840    |
| Cost of sales   | (472,339)                        | (452,847)  | (327,413)            | (310,322)  | 223,751             | 231,760    | (576,001) | (531,409)  |
| <b>Gross profit</b>   | 30,280                           | 18,194     | 51,340               | 44,237     |                     |            | 81,620    | 62,431     |
| Other income and gains (excluding bank interest income and other investment income) | 1,259                            | 10,237     | 1,704                | 3,269      |                     |            | 2,963     | 13,506     |
| Administrative expenses   | (7,387)                          | (6,655)    | (24,499)             | (23,696)   |                     |            | (31,886)  | (30,351)   |
| Share of profits and losses of:   |                                  |            |                      |            |                     |            |           |            |
| Joint ventures  | —                                | —          | 4,598                | 3,608      |                     |            | 4,598     | 3,608      |
| Associates  | —                                | —          | 292                  | 253        |                     |            | 292       | 253        |
| Other expenses and losses   | (2,780)                          | (16)       | (45)                 | (5)        |                     |            | (2,825)   | (21)       |
| Segment results   | 21,372                           | 21,760     | 33,390               | 27,666     |                     |            | 54,762    | 49,426     |
| Finance costs   |                                  |            |                      |            |                     |            | (4,879)   | (3,545)    |
| Bank interest and other investment income   |                                  |            |                      |            |                     |            | 7,940     | 6,899      |
| Profit before tax   |                                  |            |                      |            |                     |            | 57,823    | 52,780     |
| Income tax  |                                  |            |                      |            |                     |            | (1,783)   | (1,175)    |
| <b>Profit for the period</b>  |                                  |            |                      |            |                     |            | 56,040    | 51,605     |
| <b>Profit attributable to:</b>  |                                  |            |                      |            |                     |            |           |            |
| Owners of the parents   |                                  |            |                      |            |                     |            | 55,775    | 51,204     |
| Non-controlling interests   |                                  |            |                      |            |                     |            | 265       | 401        |
|   |                                  |            |                      |            |                     |            | 56,040    | 51,605     |

#### Revenue

The Group's total revenue after inter-segment elimination increased by approximately 10.7% from approximately US\$593.8 million for the six months ended 30 June 2013 to approximately US\$657.6 million for the corresponding period in 2014. This increase was primarily attributable to the continuous growth in the shipping and freight forwarding volume in both sea-freight and land-based logistic business.

#### Cost of Sales

The Group's cost of sales after inter-segment elimination increased by approximately 8.4% from approximately US\$531.4 million for the six months ended 30 June 2013 to approximately US\$576 million for the corresponding period in 2014. This increase was primarily attributable to the overall expansion in operation scale.



## Management Discussion and Analysis

### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, the gross profit increased from approximately US\$62.4 million for the six months ended 30 June 2013 to approximately US\$81.6 million for the six months ended 30 June 2014. The Group's gross profit margin increased from approximately 10.5% for the six months ended 30 June 2013 to approximately 12.4% for the corresponding period in 2014.

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

For the six months ended 30 June 2014, other income and gains (excluding bank interest income and other investment income) decreased by approximately \$10.5 million from approximately US\$13.5 million for the six months ended 30 June 2013 to US\$3.0 million for the corresponding period in 2014. The decrease was mainly attributable to (i) foreign exchange translation gain turned from a gain of US\$4.9 million for the six months ended 30 June 2013 to US\$1.5 million loss for the corresponding period in 2014; and (ii) decrease in the gain from derivative instruments from US\$6.3 million for the six months ended 30 June 2013 to US\$2.2 million for the corresponding period in 2014.

### *Interest income and other investment income*

The Group's interest income and other investment income increased from approximately US\$6.9 million for the six months ended 30 June 2013 to approximately US\$7.9 million for the corresponding period in 2014. The increase was primarily attributable to the increase in average surplus fund balance available for investment.

### *Administrative Expenses*

The Group's administrative expenses increased from approximately US\$30.4 million for the six months ended 30 June 2013 to approximately US\$31.9 million for the corresponding period in 2014. The increase was primarily attributable to overall increase in staff cost.

### *Other Expenses and Losses*

The Group's other expenses and losses were US\$2.8 million and US\$0.02 million for the six months ended 30 June 2014 and 2013, respectively. The amount in 2014 mainly represented (i) foreign exchange translation loss of US\$1.5 million; and (ii) fair value losses from derivative instruments of US\$1.3 million.

### *Finance Costs*

The Group's finance costs increased from US\$3.5 million for the six months ended 30 June 2013 to US\$4.9 million for the corresponding period in 2014. The increase was mainly attributable to the increase in average bank borrowing balance.

### *Share of profits of joint ventures*

The Group's share of profits of joint ventures increased by approximately 27.8% from approximately US\$3.6 million for the six months ended 30 June 2013 to approximately US\$4.6 million in for corresponding period in 2014. The increase was mainly attributable to the growth in the warehouse and depot business.

### *Share of profits of associates*

The Group's share of profits of associates was approximately US\$0.3 million for the six months ended 30 June 2013 and 2014. There is no material change in the amount.

### *Profit before Tax*

As a result of the foregoing, the Group's profit before tax increased from approximately US\$52.8 million for the six months ended 30 June 2013 to approximately US\$57.8 million for the corresponding period in 2014.

### *Income Tax*

The Group's income tax expenses was approximately US\$1.2 million and US\$1.8 million for the six months ended 30 June 2013 and 2014, respectively. The increase was primarily attributable to the increase in our taxable profit.

### *Profit for the Period*

The Group's profit for the six months ended 30 June 2014 was approximately US\$56.0 million, representing an increase of approximately US\$4.4 million over the profit of US\$51.6 million for the corresponding period in 2013.

## Management Discussion and Analysis

### Sea Freight Logistics

The following table sets forth selected income statement data for the Group's sea freight logistics segment for the periods indicated:

|   | For the six months ended 30 June |              |               |              |
|---|----------------------------------|--------------|---------------|--------------|
|   | 2014                             |              | 2013          |              |
|   |                                  |              | (restated)    |              |
|   | Amount                           | % of segment | Amount        | % of segment |
| (US\$' 000)   | revenue                          | (US\$' 000)  | revenue       |              |
| <b>Income Statement Data:</b>   |                                  |              |               |              |
| <b>Segment revenue</b>  | 502,619                          | 100.0%       | 471,041       | 100.0%       |
| <b>Cost of Sales</b>  | (472,339)                        | (94.0)%      | (452,847)     | (96.1)%      |
| Equipment and cargos transportation costs   | (254,857)                        | (50.7)%      | (244,474)     | (51.9)%      |
| Voyage costs  | (145,640)                        | (29.0)%      | (146,517)     | (31.1)%      |
| Container shipping vessels cost   | (64,657)                         | (12.9)%      | (58,489)      | (12.4)%      |
| Dry bulk vessel cost  | (7,185)                          | (1.4)%       | (3,367)       | (0.7)%       |
| <b>Gross Profit</b>   | 30,280                           | 6.0%         | 18,194        | 3.9%         |
| Other income and gains (excluding bank interest income and other investment income) | 1,259                            | 0.3%         | 10,237        | 2.2%         |
| Administrative expenses   | (7,387)                          | (1.4)%       | (6,655)       | (1.4)%       |
| Other expenses and losses   | (2,780)                          | (0.6)%       | (16)          | —            |
| <b>Segment results</b>  | <b>21,372</b>                    | <b>4.3%</b>  | <b>21,760</b> | <b>4.6%</b>  |

#### Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination increased by approximately 6.7% from approximately US\$471.0 million for the six months ended 30 June 2013 to approximately US\$502.6 million for the corresponding period in 2014. The increase was a combined effect of (i) the increase in container shipping volume from 945,934 TEU for the six months ended 30 June 2013 to 993,989 TEU for the corresponding period in 2014; (ii) the increase in average shipping freight rate from US\$493/TEU for the six months ended 30 June 2013 to US\$496/TEU for the corresponding period in 2014; and (iii) US\$5.1 million increase in the dry bulk chartering income due to the expansion in fleet size.

#### Cost of Sales

The cost of sales of the Group's sea freight logistics business before inter-segment elimination increased by approximately 4.3% from approximately US\$452.8 million for the six months ended 30 June 2013 to approximately US\$472.3 million for the corresponding period in 2014. Such increase was primarily attributable to (i) increase in equipment and cargos transportation cost by 4.3% from US\$244.5 million for the six months ended 30 June 2013 to US\$254.9 million for the corresponding period in 2014 as a result of the increase in the Group's shipping volume; and (ii) increase in container shipping vessels cost as a result of the increase in average charter rate and increase in the number of self operated vessels; and (iii) increase in dry bulk vessels cost due to the expansion in dry bulk vessels fleet.

## Management Discussion and Analysis

### Gross Profit

As a result of the foregoing, the Group recorded gross profit of approximately US\$30.3 million for its sea freight logistics business for the six months ended 30 June 2014, representing an increase of approximately US\$12.1 million as compared to US\$18.2 million for the corresponding period in 2013.

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

For the six months ended 30 June 2014, the other income and gains (excluding bank interest income and other investment income) decreased to approximately US\$1.3 million for the six months ended 30 June 2014 from approximately US\$10.2 million for the corresponding period in 2013. The decrease was mainly attributable to (i) foreign exchange translation gain turned from a gain of US\$4.9 million for the six months ended 30 June 2013 to a loss of US\$1.5 million for the corresponding period in 2014; and (ii) decrease in the derivative instruments gain from US\$5.3 million for the six months ended 30 June 2013 to US\$1.3 million for the corresponding period in 2014.

### Land-Based Logistics

The following table sets forth selected income statement data for the Group's land-based logistics segment for the periods indicated:

|  | For six months ended 30 June |                         |                                     |                         |
|--|------------------------------|-------------------------|-------------------------------------|-------------------------|
|  | 2014                         |                         | 2013                                |                         |
|  | Amount<br>(US\$' 000)        | % of segment<br>revenue | Amount<br>(US\$' 000)<br>(Restated) | % of segment<br>revenue |
| <b>Income Statement Data:</b>  |                              |                         |                                     |                         |
| <b>Segment revenue</b>   | 378,753                      | 100.0%                  | 354,559                             | 100.0%                  |
| Freight forwarding and shipping agency   | 364,239                      | 96.2%                   | 342,412                             | 96.6%                   |
| Other land-based logistics business  | 14,514                       | 3.8%                    | 12,147                              | 3.4%                    |
| <b>Cost of Sales</b>   | (327,413)                    | (86.4)%                 | (310,322)                           | (87.5)%                 |
| Freight forwarding and shipping Agency   | (316,884)                    | (83.7)%                 | (302,284)                           | (85.2)%                 |
| Other land-based logistics business  | (10,529)                     | (2.8)%                  | (8,038)                             | (2.3)%                  |
| <b>Gross Profit</b>  | 51,340                       | 13.6%                   | 44,237                              | 12.5%                   |
| Other income and gains (excluding bank interest income<br>and investment income) | 1,704                        | 0.4%                    | 3,269                               | 0.9%                    |
| Administrative expenses  | (24,499)                     | (6.5)%                  | (23,696)                            | (6.7)%                  |
| Other expenses and losses  | (45)                         | —                       | (5)                                 | —                       |
| Share of profit and losses of:   |                              |                         |                                     |                         |
| Joint ventures   | 4,598                        | 1.2%                    | 3,608                               | 1.0%                    |
| Associates   | 292                          | 0.1%                    | 253                                 | 0.1%                    |
| <b>Segment results</b>   | <b>33,390</b>                | <b>8.8%</b>             | <b>27,666</b>                       | <b>7.8%</b>             |

### Administrative Expenses

Administrative expenses of the Group's sea freight logistics business increased from approximately US\$6.7 million for the six months ended 30 June 2013 to approximately US\$7.4 million in the corresponding period of 2014. The change in the amount was mainly attributable to the overall increase in staff cost.

### Other Expenses and Losses

Other expenses of US\$2.8 million for the six months ended 2014 mainly represented (i) foreign exchange translation loss of US\$1.5 million; and (ii) fair value loss of derivative instruments.

### Segment Results

As a result of the foregoing, the segment results of the Group's sea freight logistics business decreased by approximately US\$0.4 million from approximately US\$21.8 million for the six months ended 30 June 2013 to approximately US\$21.4 million in the corresponding period in 2014.

## Management Discussion and Analysis

### Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination increased by approximately 6.8% from approximately US\$354.6 million for the six months ended 30 June 2013 to approximately US\$378.8 million for the corresponding period in 2014. This increase was mainly attributable to the following:

- *Freight forwarding and shipping agency.* Revenue of the Group's freight forwarding and shipping agency business increased by approximately 6.4% from approximately US\$342.4 million for the six months ended 30 June 2013 to approximately US\$364.2 million for the corresponding period in 2014. This increase primarily reflected an increase in the freight forwarding volume from 736,005 TEU for the six months ended 30 June 2013 to 766,232 TEU for the corresponding period in 2014.
- *Other land-based logistics businesses.* Revenue of the Group's other land-based logistics business increased by approximately 19.8% from approximately US\$12.1 million for the six months ended 30 June 2013 to approximately US\$14.5 million for the corresponding period in 2014. This increase was primarily attributable to the expansion of third party logistics business and other land-based logistic business.

### Cost of Sales

The cost of sales of the Group's land-based logistics business increased by approximately 5.5% from approximately US\$310.3 million for the six months ended 30 June 2013 to approximately US\$327.4 million for the corresponding period in 2014. The increase was mainly a combined effect of the following:

- *Freight Forwarding and Shipping Agency.* Cost of sales of freight forwarding and shipping agency business increased by approximately 4.8% from approximately US\$302.3 million for the six months ended 30 June 2013 to approximately US\$316.9 million for the corresponding period in 2014, primarily reflecting the increase in the Group's freight forwarding volume.

- *Other land-based logistics businesses.* Cost of sales of the Group's other land-based logistics business increased by approximately 31.3% from approximately US\$8.0 million for the six months ended 30 June 2013 to approximately US\$10.5 million for the corresponding period in 2014. This increase primarily reflected the cost increase in connection with the expansion in third party logistics business and the cost for other land-based logistics business.

### Gross Profit

As a result of the foregoing, the gross profit of the Group's land-based logistics business increased by approximately 16.1% from approximately US\$44.2 million for the six months ended 30 June 2013 to approximately US\$51.3 million for the corresponding period in year 2014. The gross profit margin of the Group's land-based logistics business increased from 12.5% for the six months ended 30 June 2013 to approximately 13.5% for the corresponding period in 2014.

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

Other income and gains (excluding interest income and other investment income) of the Group's land-based business was US\$1.7 million and US\$3.3 million for the period six months ended 30 June 2014 and 2013, respectively. The amount for the six months ended 30 June 2014 mainly represented (i) realized gain from derivative instruments; and (ii) bargain purchase of a logistic project during the period. The amount for the six months ended 30 June 2013 mainly represented foreign exchange gains from the capital reduction of a subsidiary in Mainland China of approximately US\$2 million.

### Administrative Expenses

Administrative expenses of the Group's land-based logistics business increased by approximately 3.4% from approximately US\$23.7 million for the six months ended 30 June 2013 to approximately US\$24.5 million for the corresponding period in 2014. The increase was primarily attributable to the overall increase in staff cost.

## Management Discussion and Analysis

### *Other Expenses and Losses*

Other expenses and losses incurred by the Group's land-based logistics business for the six months ended 30 June 2014 was comparable to the corresponding period for 2013.

### *Share of profits of joint ventures*

The Group's share of profits of joint ventures increased by approximately 27.8% from approximately US\$3.6 million for the six months ended 30 June 2013 to approximately US\$4.6 million for the corresponding period in 2014. The increase was mainly attributable to the expansion in the warehouse and depot business.

### *Share of profits of associates*

The Group's share of profits of associates was approximately US\$0.3 million for both six months ended 30 June 2013 and 2014. There was no material fluctuation in the amount.

### *Segment Results*

As a result of the foregoing, the segment results of the Group's land-based logistics business increased by approximately 20.6% from US\$27.7 million for the six months ended 30 June 2013 to approximately US\$33.4 million for the corresponding period in 2014.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

Total assets of the Group increased by approximately 6.5% from approximately US\$1,269.4 million as at 31 December 2013 to approximately US\$1,351.6 million as at 30 June 2014. As at 30 June 2014, the Group had cash and cash equivalents amounting to approximately US\$474.4 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies. In addition, less than 10% of the Group's borrowings were fixed interest rate.

Total liabilities of the Group increased by approximately 15.4% from approximately US\$524.1 million as at 31 December 2013 to approximately US\$604.8 million as at 30 June 2014. At 30 June 2014, the Group had secured interest-bearing bank loans of approximately US\$425.9 million. The maturity profile is spread over a period, with approximately US\$129.6 million repayable within one year or on demand, approximately US\$44.5 million within the second year, approximately US\$146.2 million within third to fifth years and approximately US\$105.6 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 2014, the Group hedged approximately 14% (31 December 2013: 11.7%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2014, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 2.04 compared to that of 2.21 as at 31 December 2013. 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, 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 15% and 11% as at 30 June 2014 and 31 December 2013, respectively.

## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Group had no significant contingent liabilities.

## **CHARGE ON ASSETS**

As at 30 June 2014, the Group's bank loans were secured by mortgages over the Group's container vessels and dry-bulk vessels which had an aggregate carrying value at the end of the reporting period of approximately US\$560 million (31 December 2013: US\$505 million).



## Management Discussion and Analysis

### EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2014, the Group had an aggregate of 1,292 full-time employees (30 June 2013: 1,237). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$31.5 million (30 June 2013: US\$28.2 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 adopted the pre-IPO share option scheme and post-IPO share option scheme on 10 September 2010. Further information of those share option schemes is available in this report of the Company.

### SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2014, the Group did not have any significant investments.

### MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2014, the Group did not have any 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 and/or dry-bulk vessels and invest in land-based logistic projects, as and when appropriate. The Company expected 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 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 28 August 2014 (Thursday), the Board has resolved not to declare any interim dividend for the six months ended 30 June 2014.

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

### SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a 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 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 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 number of options that may be granted pursuant to the terms of the 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 of the Company 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 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 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 Share Option Scheme takes effect from the date it was adopted and shall remain effective within a period of 10 years from that date.

## Other Information

The followings are details of the options granted pursuant to the Post-IPO Share Option Scheme but not yet exercised during the six months ended 30 June 2014:

| Grantee and position   | Date of grant of options | Number of options outstanding as at 1 January 2014 | 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 2014 | Approximate percentage of shareholding upon the exercise of the options |
|--|--------------------------|--|---|--|---|---|
| YANG Shaopeng (Executive Director)                           | 25 October 2011          | 1,000,000  | —   | —  | 1,000,000   | 0.04%   |
| YANG Xianxiang<br>(Executive Director)                       | 25 October 2011          | 1,000,000  | —   | —  | 1,000,000   | 0.04%   |
| LIU Kecheng (Executive Director)                             | 25 October 2011          | 300,000  | —   | —  | 300,000   | 0.01%   |
| XUE Peng (Executive Director)                                | 25 October 2011          | 300,000  | —   | —  | 300,000   | 0.01%   |
| LAI Zhiyong (Executive Director)                             | 25 October 2011          | 100,000  | —   | —  | 100,000   | 0.004%  |
| XUE Mingyuan<br>(Executive Director)                         | 25 October 2011          | 500,000  | —   | —  | 500,000   | 0.02%   |
| TSUI Yung Kwok<br>(Independent non-executive Director)       | 25 October 2011          | 400,000  | —   | 400,000  | —   | 0.00%   |
| YEUNG Kwok On<br>(Independent non-executive Director)        | 25 October 2011          | 200,000  | —   | —  | 200,000   | 0.01%   |
| LO Wing Yan, William<br>(Independent non-executive Director) | 25 October 2011          | 400,000  | —   | —  | 400,000   | 0.02%   |
| NGAI Wai Fung<br>(Independent non-executive Director)        | 25 October 2011          | 400,000  | —   | —  | 400,000   | 0.02%   |
| Other employees  | 25 October 2011          | 5,777,000  | —   | 389,000  | 5,388,000   | 0.02%   |
| <b>Total</b>   |                          | 10,377,000   | —   | 789,000  | 9,588,000   | 0.37%   |

As at 30 June 2014, the Company had 9,588,000 share options outstanding under the Post-IPO Share Option Scheme, which represented approximately 0.37% of the Shares of the Company in issue as at 30 June 2014.

## 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

## Other Information

and/or the listing of 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 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 of the Company after completion of the Global Offering; and
- (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 2014:

| Grantee and position                  | Date of grant of options | Number of options granted outstanding as at 1 January 2014 | Number of options exercised/ cancelled /lapsed during the period | Number of options not yet exercised on 30 June 2014 | Approximate percentage of shareholding upon the exercise of the options |
|---------------------------------------|--------------------------|--|--|---|---|
| YANG Shaopeng<br>(Executive Director) | 10 September 2010        | 7,200,000  | —  | 7,200,000   | 0.04%   |
| YANG Xianxiang (Executive Director)   | 10 September 2010        | 5,220,000  | —  | 5,220,000   | 0.04%   |
| LIU Kecheng (Executive Director)      | 10 September 2010        | 800,000  | —  | 800,000   | 0.03%   |
| XUE Peng (Executive Director)         | 10 September 2010        | 800,000  | —  | 800,000   | 0.03%   |
| LAI Zhiyong (Executive Director)      | 10 September 2010        | 200,000  | —  | 200,000   | 0.01%   |
| XUE Mingyuan (Executive Director)     | 10 September 2010        | 800,000  | —  | 800,000   | 0.03%   |
| Other employees                       | 10 September 2010        | 56,300,000   | 1,040,000  | 55,260,000  | 2.14%   |
| <b>Total</b>                          |                          | <b>71,320,000</b>  | <b>1,040,000</b>   | <b>70,280,000</b>                                   | <b>2.72%</b>  |

As at 30 June 2014, the Company had 70,280,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 2.72% of the Shares of the Company in issue as at 30 June 2014.

## Other Information

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.

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

As at 30 June 2014, 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules, are as follows:



## Other Information

### (i) Interest in the Company

| Name of Director             | Nature of Interest                 | Number of Shares <sup>(1)</sup> | Approximate percentage of Shareholding |
|------------------------------|------------------------------------|---------------------------------|--|
| YANG Shaopeng <sup>(2)</sup> | Beneficiary of the Pengli Trust    | 1,431,898,158(L)                | 55.37%                                 |
| XUE Peng <sup>(3)</sup>      | Settlor of the Xue Trust           | 25,573,510(L)                   | 0.99%                                  |
| LAI Zhiyong <sup>(4)</sup>   | Beneficiary of the Go Thrive Trust | 3,037,847(L)                    | 0.12%                                  |
|                              | Beneficial Owner                   | 185,000(L)                      | 0.01%                                  |
| XUE Mingyuan <sup>(4)</sup>  | Beneficiary of the Go Thrive Trust | 1,906,100(L)                    | 0.07%                                  |
| LIU Kecheng                  | Beneficial Owner                   | 300,000(L)                      | 0.01%                                  |
| TSUI Yung Kwok               | Beneficial Owner                   | 400,000(L)                      | 0.02%                                  |
| YEUNG Kwok On                | Beneficial Owner                   | 1,649,000(L)                    | 0.06%                                  |

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) 1,431,898,158 Shares are held by Resourceful Link. The issued share capital of Resourceful Link is owned as to 76.67% by Better Master. Better Master is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(3) 25,573,510 Shares were held by Watercrests Profits Limited, which was owned as to 50.3% by Add Investments Company Limited, which was owned as to 100% by JTC Trustees (BVI) Limited as the trustee of the Xue Trust holding such interests for the beneficiary of the Xue Trust, namely Ms. Jiao Lei, the spouse of Mr. XUE Peng. Mr. XUE Peng is the settlor.

(4) 3,037,847 Shares and 1,906,100 Shares are held by Go Thrive Limited, which is 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.

## Other Information

### (ii) Interest in underlying Shares

| Name of Director     | Nature of Interest | Number of Shares  | Number of Shares   | Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme <i>(Note)</i> |
|----------------------|--------------------|---|--|---|
|                      |                    | in the Company subject to options under the Pre-IPO Share Option Scheme | in the Company subject to options under the Post-IPO Share Option Scheme |   |
| YANG Shaopeng        | Beneficial owner   | 7,200,000   | 1,000,000  | 0.32%   |
| YANG Xianxiang       | Beneficial owner   | 5,220,000   | 1,000,000  | 0.24%   |
| LIU Kecheng          | Beneficial owner   | 800,000   | 300,000  | 0.04%   |
| XUE Peng             | Beneficial owner   | 800,000   | 300,000  | 0.04%   |
| LAI Zhiyong          | Beneficial owner   | 200,000   | 100,000  | 0.01%   |
| XUE Mingyuan         | Beneficial owner   | 800,000   | 500,000  | 0.05%   |
| YEUNG Kwok On        | Beneficial owner   | —   | 200,000  | 0.01%   |
| LO Wing Yan, William | Beneficial owner   | —   | 400,000  | 0.02%   |
| NGAI Wai Fung        | Beneficial owner   | —   | 400,000  | 0.02%   |

Note: Assuming full exercise of the options under both the Pre-IPO Share Option Scheme and the 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 <sup>(1)</sup>  | Resourceful Link               | 55,290           | 76.67%                     |
| YANG Xianxiang <sup>(2)</sup> | Resourceful Link               | 11,776           | 16.33%                     |
| LIU Kecheng <sup>(3)</sup>    | Resourceful Link               | 2,205            | 3.05%                      |

Notes:

(1) Resourceful Link is interested in approximately 55.37% of the issued share capital of the Company. Resourceful Link is owned as to 76.67% by Better Master, which is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) Resourceful Link is interested in approximately 55.37% of the issued share capital of the Company. Jixiang Investments Limited is interested in 16.33% of the issued share capital of Resourceful Link. Jixiang Investments Limited is in turn owned as to 100% by Jixiang Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Jixiang Trust, namely Mr. YANG Xianxiang and his family. The Jixiang Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust.

(3) Resourceful Link is interested in approximately 55.37% of the issued share capital of the Company. Yicheng Investments Limited is interested in 3.05% of the issued share capital of Resourceful Link. Yicheng Investments Limited is in turn owned as to 100% by Yicheng Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Yicheng Trust, namely Mr. LIU Kecheng and his family. The Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. LIU Kecheng is the settlor and a beneficiary of the Yicheng Trust.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2014, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

| Name  | Capacity                           | Number of Shares <sup>(1)</sup> | Percentage of Shareholding |
|---|------------------------------------|---------------------------------|----------------------------|
| Resourceful Link <sup>(2)</sup>                             | Beneficial owner                   | 1,431,898,158(L)                | 55.37%                     |
| Better Master <sup>(2)</sup>                                | Interest in controlled corporation | 1,431,898,158(L)                | 55.37%                     |
| Pengli Holdings Limited <sup>(2)</sup>                      | Interest in controlled corporation | 1,431,898,158(L)                | 55.37%                     |
| Barclays Wealth Trustees (Singapore) Limited <sup>(2)</sup> | Trustee                            | 1,431,898,158(L)                | 55.37%                     |
| Karr Robert A. <sup>(3)</sup>                               | Interest in controlled corporation | 154,160,000(L)                  | 5.96%                      |
| RAK Capital, LLC <sup>(3)</sup>                             | Interest in controlled corporation | 154,160,000(L)                  | 5.96%                      |
| Joho Partners, L.P. <sup>(3)</sup>                          | Beneficial owner                   | 154,160,000(L)                  | 5.96%                      |
| Liu Rongli <sup>(4)</sup>                                   | Beneficiary of the Pengli Trust    | 1,440,098,158(L)                | 55.69%                     |

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) Resourceful Link is owned as to 76.67%, 16.33%, 3.95% and 3.05% by Better Master, Jixiang Investments Limited, Xiangtai Investments Limited and Yicheng Investments Limited. Better Master is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Pengli Trust. Jixiang Investments Limited is owned as to 100% by Jixiang Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Singapore) Limited, as the trustee holding such interests for the beneficiaries of the Jixiang Trust. Xiangtai Investments Limited is owned as to 100% by Xiangtai Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Xiangtai Trust. Yicheng Investments Limited is owned as to 100% by Yicheng Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Singapore) Limited, as the trustee holding such interests for the beneficiaries of the Yicheng Trust. Each of the Pengli Trust, the Jixiang Trust and the Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands by certain of the Directors to hold their family interests in the Company.

(3) 154,160,000 Shares indirectly held by Karr Robert A. and RAK Capital, LLC represent Shares beneficially held by Joho Partners, L.P. Joho Partners, L.P. is owned as to 29.2 % by RAK Capital, LLC and RAK Capital, LLC is owned as to 74.25% by Karr Robert A.

(4) Ms. LIU Rongli is the spouse of Mr. YANG Shaopeng and is also deemed to be interested in 8,200,000 options of the Company held by Mr. YANG Shaopeng by virtue of the SFO.

### CORPORATE GOVERNANCE

The Company is committed to maintain a 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 2014, 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") in Appendix 14 to the Listing Rules.

## Other Information

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Code of Conduct and all Directors confirmed that they have complied with the Code of Conduct during the six months ended 30 June 2014.

### PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30 June 2014, 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 2014.

### DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the publication of the 2013 Annual Report on 11 March 2014 are set out below:-

|    |  | <b>Appointment (effective)</b> | <b>Cessation (effective)</b> |
|----|--|--------------------------------|------------------------------|
| 1. | Yeung Kwok On  |                                |                              |
|    | • Country Garden Holdings Company Limited (Stock code: 2007)<br>- independent non-executive director             | 1 April 2014                   | –                            |
|    | • Kingdee International Software Group Company Limited (Stock code: 268)<br>- independent non-executive director | –                              | 17 March 2014                |
| 2. | Lo Wing Yan, William   |                                |                              |
|    | • CSI Properties Limited (Stock code: 497)<br>- independent non-executive director                               | 1 April 2014                   | –                            |
|    | • South China Land Limited (Stock code: 8155)<br>- non-executive director  | –                              | 19 March 2014                |
| 3. | Ngai Wai Fung  |                                |                              |
|    | • China Railway Group Limited (Stock code: 390)<br>- independent non-executive director                          | 26 June 2014                   | –                            |
|    | • Juda International Holdings Limited (Stock code: 1329)<br>- independent non-executive director                 | 21 December 2013               | –                            |



## Other Information

### 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 2014.

### 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 purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non- executive Directors of the Company, namely Mr. TSUI Yung Kwok, Dr. LO Wing Yan, William and Dr. NGAI Wai Fung. 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 2014.

### PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be despatched to the 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 of Directors

**YANG Shaopeng**

*Chairman*

28 August 2014

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

The Board of Directors (the “Board”) of SITC International Holdings Company Limited (the “Company”) hereby presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

|                                 | Notes | For the six months ended 30 June |  |
|---------------------------------|-------|----------------------------------|--|
|                                 |       | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited)<br>(Restated) |
| REVENUE                         |       | <b>657,621</b>                   | 593,840  |
| Cost of sales                   |       | <b>(576,001)</b>                 | (531,409)                                      |
| Gross profit                    |       | <b>81,620</b>                    | 62,431   |
| Other income and gains          | 4     | <b>10,903</b>                    | 20,405   |
| Administrative expenses         |       | <b>(31,886)</b>                  | (30,351)                                       |
| Other expenses and losses       |       | <b>(2,825)</b>                   | (21)   |
| Finance costs                   | 6     | <b>(4,879)</b>                   | (3,545)  |
| Share of profits and losses of: |       |                                  |  |
| Joint ventures                  |       | <b>4,598</b>                     | 3,608  |
| Associates                      |       | <b>292</b>                       | 253  |
| PROFIT BEFORE TAX               | 5     | <b>57,823</b>                    | 52,780   |
| Income tax                      | 7     | <b>(1,783)</b>                   | (1,175)  |
| PROFIT FOR THE PERIOD           |       | <b>56,040</b>                    | 51,605   |

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2014

|   |      | For the six months ended 30 June |  |
|---|------|----------------------------------|--|
|   | Note | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited)<br>(Restated) |
| OTHER COMPREHENSIVE INCOME/(LOSS)   |      |                                  |  |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: |      |                                  |  |
| Available-for-sale investments:   |      |                                  |  |
| Changes in fair value   |      | (205)                            | —  |
| Cash flow hedges:   |      |                                  |  |
| Effective portion of changes in fair value of hedging instruments arising during the period   |      | (5,078)                          | 3,712  |
| Reclassification adjustments for gains included in profit or loss                             |      | (2,160)                          | (5,715)  |
|   |      | (7,238)                          | (2,003)  |
| Exchange differences on translation of foreign operations                                     |      | (681)                            | (1,482)  |
| Share of other comprehensive income/(loss) of joint ventures                                  |      | (577)                            | 172  |
| Share of other comprehensive income/(loss) of associates                                      |      | (251)                            | 68   |
|   |      | (8,952)                          | (3,245)  |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods       |      | (8,952)                          | (3,245)  |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX                                    |      | (8,952)                          | (3,245)  |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD   |      | 47,088                           | 48,360   |
| Profit attributable to:   |      |                                  |  |
| Owners of the parent  |      | 55,775                           | 51,204   |
| Non-controlling interests   |      | 265                              | 401  |
|   |      | 56,040                           | 51,605   |
| Total comprehensive income attributable to:   |      |                                  |  |
| Owners of the parent  |      | 46,833                           | 47,985   |
| Non-controlling interests   |      | 255                              | 375  |
|   |      | 47,088                           | 48,360   |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT                      |      |                                  |  |
|   | 9    |                                  |  |
| Basic (US cents per share)  |      | 2.16                             | 1.98   |
| Diluted (US cents per share)  |      | 2.15                             | 1.98   |

# Condensed Consolidated Statement of Financial Position

30 June 2014

|  | Notes | 30 June<br>2014<br>US\$' 000<br>(Unaudited) | 31 December<br>2013<br>US\$' 000<br>(Audited) |
|--|-------|---|---|
| <b>NON-CURRENT ASSETS</b>  |       |   |   |
| Property, plant and equipment                                      | 10    | 639,020                                     | 616,661                                       |
| Prepaid land lease payments  |       | 21,290                                      | 12,676  |
| Prepayments for purchase of items of property, plant and equipment |       | 16,725                                      | 21,020  |
| Goodwill   | 2     | 1,142                                       | —   |
| Investments in joint ventures                                      |       | 24,146                                      | 26,906  |
| Investments in associates  |       | 10,402                                      | 10,400  |
| Held-to-maturity investments                                       |       | 8,059                                       | 8,262   |
| Available-for-sale investments                                     |       | 3,630                                       | 1,239   |
| Derivative financial instruments                                   |       | 341   | 690   |
| Total non-current assets   |       | 724,755                                     | 697,854                                       |
| <b>CURRENT ASSETS</b>  |       |   |   |
| Bunkers  |       | 21,625                                      | 18,927  |
| Trade receivables  | 11    | 82,016                                      | 76,560  |
| Prepayments, deposits and other receivables                        |       | 46,750                                      | 37,181  |
| Due from related companies   |       | 511   | 996   |
| Derivative financial instruments                                   |       | 417   | 4,824   |
| Restricted bank balances   |       | 1,082                                       | 1,890   |
| Cash and cash equivalents  |       | 474,430                                     | 431,136                                       |
| Total current assets   |       | 626,831                                     | 571,514                                       |
| <b>CURRENT LIABILITIES</b>   |       |   |   |
| Trade payables   | 12    | 140,500                                     | 145,462                                       |
| Other payables and accruals  |       | 35,641                                      | 42,244  |
| Due to related companies   |       | 879   | 13,528  |
| Derivative financial instruments                                   |       | 195   | 855   |
| Interest-bearing bank borrowings                                   |       | 129,561                                     | 56,457  |
| Income tax payables  |       | 988   | 479   |
| Total current liabilities  |       | 307,764                                     | 259,025                                       |
| <b>NET CURRENT ASSETS</b>  |       | <b>319,067</b>                              | <b>312,489</b>                                |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                       |       | <b>1,043,822</b>                            | <b>1,010,343</b>                              |

## Condensed Consolidated Statement of Financial Position (continued)

30 June 2014

|   | Note | 30 June<br>2014<br>US\$' 000<br>(Unaudited) | 31 December<br>2013<br>US\$' 000<br>(Audited) |
|---|------|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES       |      | <b>1,043,822</b>                            | 1,010,343                                     |
| NON-CURRENT LIABILITIES                     |      |   |   |
| Derivative financial instruments            |      | <b>670</b>                                  | 345   |
| Interest-bearing bank borrowings            |      | <b>296,313</b>                              | 264,707                                       |
| Total non-current liabilities               |      | <b>296,983</b>                              | 265,052                                       |
| Net assets                                  |      | <b>746,839</b>                              | 745,291                                       |
| EQUITY                                      |      |   |   |
| Equity attributable to owners of the parent |      |   |   |
| Issued capital                              | 13   | <b>33,343</b>                               | 33,333  |
| Reserves                                    |      | <b>707,083</b>                              | 660,028                                       |
| Proposed final dividend                     |      | —   | 49,988  |
|   |      | <b>740,426</b>                              | 743,349                                       |
| Non-controlling interests                   |      | <b>6,413</b>                                | 1,942   |
| Total equity                                |      | <b>746,839</b>                              | 745,291                                       |



# Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2014

|   | Attributable to owners of the parent |   |  |                                      |   |                                       |  |  |                                       |   |  |  |   |                                    |
|---|--------------------------------------|---|--|--------------------------------------|---|---------------------------------------|--|--|---------------------------------------|---|--|--|---|------------------------------------|
|   | Issued capital (Unaudited) US\$ '000 | Share premium account (Unaudited) US\$ '000 | Capital redemption reserve (Unaudited) US\$ '000 | Merger reserve (Unaudited) US\$ '000 | PPC reserve funds (Unaudited) US\$ '000 | Capital reserve (Unaudited) US\$ '000 | Share-based compensation reserve (Unaudited) US\$ '000 | Share option reserve (Unaudited) US\$ '000 | Hedging reserve (Unaudited) US\$ '000 | Available for-sale investment revaluation reserve (Unaudited) US\$ '000 | Exchange fluctuation reserve (Unaudited) US\$ '000 | Retained profits (Unaudited) US\$ '000 | Proposed final dividend (Unaudited) US\$ '000 | Total equity (Unaudited) US\$ '000 |
| At 1 January 2013:  |                                      |   |  |                                      |   |                                       |  |  |                                       |   |  |  |   |                                    |
| As previously reported  | 33,323                               | 348,460                                     | 202  | (10,842)                             | 3,722                                   | (463)                                 | 4,597  | 2,779                                      | 3,928                                 | 121   | 9,589  | 267,430                                | 40,010  | 704,827                            |
| Effects of a business combination under common control                          | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | -  | (7,305)                                | -   | (11,688)                           |
| As restated   | 33,323                               | 348,460                                     | 202  | (10,842)                             | 3,722                                   | (463)                                 | 4,597  | 2,779                                      | 3,928                                 | 121   | 9,589  | 260,125                                | 40,010  | 693,139                            |
| Profit for the period (as restated)   | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | -  | 51,204                                 | -   | 51,605                             |
| Other comprehensive income/(loss) for the period:                               |                                      |   |  |                                      |   |                                       |  |  |                                       |   |  |  |   |                                    |
| Changes in fair value of hedging instruments, net of income tax                 | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | (2,003)                               | -   | -  | -                                      | -   | (2,003)                            |
| Exchange differences on translation of foreign operations                       | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | (1,456)                               | -   | (1,456)  | -                                      | -   | (1,482)                            |
| Share of other comprehensive income of:   |                                      |   |  |                                      |   |                                       |  |  |                                       |   |  |  |   |                                    |
| - Joint ventures  | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | 172  | -                                      | -   | 172                                |
| - Associates  | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | 68   | -                                      | -   | 68                                 |
| Total comprehensive income/(loss) for the period                                | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | (2,003)                               | -   | (1,216)  | 51,204                                 | -   | 47,985                             |
| Issue of shares   | 4                                    | 108   | -  | -                                    | -                                       | -                                     | -  | (65)                                       | -                                     | -   | -  | -                                      | -   | 77                                 |
| Capital contribution from a non-controlling equity-holder                       | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | -  | -                                      | -   | 100                                |
| Deregistration of a subsidiary  | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | -  | -                                      | -   | (312)                              |
| Transfer to PPC reserve funds   | -                                    | -   | -  | -                                    | 247                                     | -                                     | -  | -  | -                                     | -   | (247)  | -                                      | -   | -                                  |
| Final 2012 dividend declared  | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | 44   | (40,010)                               | -   | (39,966)                           |
| Dividends paid to non-controlling equity-holders                                | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | -  | -                                     | -   | -  | -                                      | -   | (160)                              |
| Transfer of share option reserve upon forfeiture and/or expiry of share options | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | (62)                                       | -                                     | -   | -  | 52                                     | -   | -                                  |
| Equity-settled share option arrangements  | -                                    | -   | -  | -                                    | -                                       | -                                     | -  | 223  | -                                     | -   | -  | -                                      | -   | 223                                |
| At 30 June 2013   | 33,327                               | 348,568                                     | 202  | (10,842)                             | 3,969                                   | (463)                                 | 4,597  | 2,915                                      | 1,925                                 | 121   | 8,373  | 311,178                                | -   | 701,461                            |

## Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014

|   | Attributable to owners of the parent |  |   |                                     |  |                                      |   |   |                                      |  |   |                                       |  |                            |  |                                   |
|---|--------------------------------------|--|---|-------------------------------------|--|--------------------------------------|---|---|--------------------------------------|--|---|---------------------------------------|--|----------------------------|--|-----------------------------------|
|   | Issued capital (Unaudited) US\$'000  | Share premium account (Unaudited) US\$'000 | Capital redemption reserve (Unaudited) US\$'000 | Merger reserve (Unaudited) US\$'000 | PRC reserve funds (Unaudited) US\$'000 | Capital reserve (Unaudited) US\$'000 | Share-based compensation reserve (Unaudited) US\$'000 | Share option reserve (Unaudited) US\$'000 | Hedging reserve (Unaudited) US\$'000 | Available-for-sale investment revaluation reserve (Unaudited) US\$'000 | Exchange fluctuation reserve (Unaudited) US\$'000 | Retained profits (Unaudited) US\$'000 | Proposed final dividend (Unaudited) US\$'000 | Total (Unaudited) US\$'000 | Non-controlling interests (Unaudited) US\$'000 | Total equity (Unaudited) US\$'000 |
| At 1 January 2014   | 33,333                               | 348,734*                                   | 202*  | (7,882)*                            | 3,946*                                 | (463)*                               | 4,397*  | 3,059*                                    | 6,544*                               | 143*   | 9,527*  | 289,101*                              | 49,988                                       | 743,349                    | 1,942  | 745,291                           |
| Profit for the period   | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | —                                    | —  | —   | 55,775                                | —  | 55,775                     | 265  | 56,040                            |
| Other comprehensive loss for the period:  |                                      |  |   |                                     |  |                                      |   |   |                                      |  |   |                                       |  |                            |  |                                   |
| Changes in fair value of available-for-sale investments, net of income tax      | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | (205)                                | —  | —   | —                                     | —  | (205)                      | —  | (205)                             |
| Changes in fair value of hedging instruments, net of income tax                 | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | (7,238)                              | —  | —   | —                                     | —  | (7,238)                    | —  | (7,238)                           |
| Exchange differences on translation of foreign operations                       | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | —                                    | —  | (671)   | —                                     | —  | (671)                      | (10)   | (681)                             |
| Share of other comprehensive loss of:   |                                      |  |   |                                     |  |                                      |   |   |                                      |  |   |                                       |  |                            |  |                                   |
| - Joint ventures  | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | —                                    | —  | (577)   | —                                     | —  | (577)                      | —  | (577)                             |
| - Associates  | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | —                                    | —  | (251)   | —                                     | —  | (251)                      | —  | (251)                             |
| Total comprehensive income/(loss) for the period                                | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | (7,238)                              | (205)  | (1,499)   | 55,775                                | —  | 46,833                     | 255  | 47,088                            |
| Acquisition of subsidiaries (note 2)  | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | —                                    | —  | —   | —                                     | —  | —                          | 4,764  | 4,764                             |
| Issue of shares (note 13)   | 10                                   | 283  | —   | —                                   | —                                      | —                                    | —   | (63)                                      | —                                    | —  | —   | —                                     | —  | 200                        | —  | 200                               |
| Transfer to PRC reserve funds   | —                                    | —  | —   | —                                   | 169                                    | —                                    | —   | —   | —                                    | —  | —   | (169)                                 | —  | —                          | —  | —                                 |
| Final 2013 dividend declared  | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | —                                    | —  | —   | (49,988)                              | —  | (49,988)                   | —  | (49,988)                          |
| Dividends paid to non-controlling equity-holders                                | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | —   | —                                    | —  | —   | —                                     | —  | —                          | (548)  | (548)                             |
| Transfer of share option reserve upon forfeiture and/or expiry of share options | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | (27)                                      | —                                    | —  | —   | 27                                    | —  | —                          | —  | —                                 |
| Equity-settled share option arrangements  | —                                    | —  | —   | —                                   | —                                      | —                                    | —   | 32  | —                                    | —  | —   | —                                     | —  | 32                         | —  | 32                                |
| At 30 June 2014   | 33,343                               | 349,017*                                   | 202*  | (7,882)*                            | 4,115*                                 | (463)*                               | 4,597*  | 2,911*                                    | 1,306*                               | (62)*  | 8,029*  | 344,734*                              | —  | 740,426                    | 6,413  | 746,839                           |

\* These reserve accounts comprise the consolidated reserves of US\$707,083,000 (unaudited) (31 December 2013: US\$660,028,000) in the condensed consolidated statement of financial position as at 30 June 2014.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

|  | For the six months ended 30 June |  |
|--|----------------------------------|--|
|  | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited)<br>(Restated) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                  |  |
| Cash generated from operations   | 56,564                           | 52,072   |
| Interest income received   | 5,599                            | 2,957  |
| Interest paid  | (4,659)                          | (3,561)  |
| Hong Kong profits tax paid   | (14)                             | —  |
| Overseas tax paid  | (914)                            | (1,556)  |
| Net cash flows from operating activities   | 56,576                           | 49,912   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                  |  |
| Purchases of items of property, plant and equipment  | (46,610)                         | (29,338)                                       |
| Increase/(decrease) in non-pledged time deposits with original maturity<br>of over three months but less than one year when acquired | 124,378                          | (37,980)                                       |
| Dividends received from joint ventures   | 3,421                            | 2,582  |
| Dividends received from associates   | 39                               | 130  |
| Other cash flows from investing activities   | 1,101                            | 953  |
| Net cash flows from/(used in) investing activities   | 82,329                           | (63,653)                                       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                  |  |
| Repayment of advances from a company controlled by the controlling shareholder<br>of the Company's ultimate holding company          | (10,303)                         | —  |
| Dividends paid   | (49,988)                         | (39,966)                                       |
| Dividends paid to non-controlling equity-holders   | (548)                            | (70)   |
| Other cash flows from financing activities   | 100,792                          | 124,325  |
| Net cash flows from financing activities   | 39,953                           | 84,289   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   |                                  |  |
| Cash and cash equivalents at beginning of period   | 150,536                          | 357,172  |
| Effect of foreign exchange rate changes, net   | (3,136)                          | (773)  |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>  | <b>326,258</b>                   | <b>426,947</b>                                 |

## Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2014

|   | For the six months ended 30 June |  |
|---|----------------------------------|--|
|   | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited)<br>(Restated) |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS   |                                  |  |
| Cash and bank balances  | 139,294                          | 349,617  |
| Short-term financial instruments  | 854                              | —  |
| Non-pledged time deposits with original maturity of less than three months when acquired          | 186,110                          | 77,330   |
| Cash and cash equivalents as stated in the condensed consolidated statement of cash flows         | 326,258                          | 426,947  |
| Non-pledged time deposits with original maturity of over three months when acquired               | 148,172                          | 60,581   |
| Cash and cash equivalents as stated in the condensed consolidated statement of financial position | 474,430                          | 487,528  |

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

## 1.1 CORPORATE INFORMATION

SITC International Holdings Company Limited (the “Company”) was a limited liability company incorporated in the Cayman Islands on 9 April 2010. The registered office 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 Room 2203, 22/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

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 Investments Limited, which is incorporated in the BVI.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are described in note 3 to the condensed consolidated interim financial statements.

## 1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee of the Company. They do 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 2013.

### **Merger accounting for a business combination under common control**

As disclosed in the Group’s financial statements for the year ended 31 December 2013, the Group acquired the entire 100% interests in SITC Huangshan Shipping Company Limited, SITC Huashan Shipping Company Limited, SITC Taishan Shipping Company Limited, SITC Lushan Shipping Company Limited and SITC Zhoushan Shipping Company Limited at an aggregate consideration of US\$50,614,000 in November 2013. These acquired entities were wholly-owned subsidiaries of SITC Shipowning Holding Pte. Ltd., in which 62.5% interests are owned by Mr. Yang Shaopeng, the controlling shareholder of the Company’s ultimate holding company (the “Controlling Shareholder”).

The transaction is referred to as the “Acquisition Transaction” and the entities acquired in the Acquisition Transaction are collectively referred to as the “Acquired Entities”.

Pursuant to the Acquisition Transaction, the Company became a holding company of the Acquired Entities. Since the Company and the Acquired Entities were ultimately controlled by the Controlling Shareholder both before and after the completion of the Acquisition Transaction, the Acquisition Transaction was accounted for using the principles of merger accounting.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

#### Merger accounting for a business combination under common control (continued)

Under the principles of merger accounting, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2013 include the results, changes in equity and cash flows of all companies comprising the Group and the Acquired Entities, as if the corporate structure of the Group immediately after the completion of the Acquisition Transaction had been in existence throughout the six months ended 30 June 2013, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

On the aforesaid basis, the operating results reported by the Group for the six months ended 30 June 2013 have been restated to include the operating results of the Acquired Entities, as set out below:

|                                 | <b>The Group</b><br><b>(as previously</b><br><b>reported)</b><br><b>US\$' 000</b><br><b>(Unaudited)</b> | <b>Acquired</b><br><b>Entities</b><br><b>US\$' 000</b><br><b>(Unaudited)</b> | <b>Elimination</b><br><b>US\$' 000</b><br><b>(Unaudited)</b> | <b>The Group</b><br><b>(as restated)</b><br><b>US\$' 000</b><br><b>(Unaudited)</b> |
|---------------------------------|---|--|--|--|
| Revenue                         | 589,249   | 4,674  | (83)   | 593,840  |
| Cost of sales                   | (528,125)   | (3,367)  | 83   | (531,409)  |
| Other income and gains          | 20,427  | (22)   | —  | 20,405   |
| Administrative expenses         | (30,337)  | (14)   | —  | (30,351)   |
| Other expenses and losses       | (21)  | —  | —  | (21)   |
| Finance costs                   | (2,618)   | (927)  | —  | (3,545)  |
| Share of profits and losses of: |   |  |  |  |
| Joint ventures                  | 3,608   | —  | —  | 3,608  |
| Associates                      | 253   | —  | —  | 253  |
| Income tax                      | (1,175)   | —  | —  | (1,175)  |
|                                 | <b>51,261</b>   | <b>344</b>   | <b>—</b>   | <b>51,605</b>  |

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

## 1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### Changes in accounting policies and disclosures

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

|  |  |
|--|--|
| HKFRS 10, HKFRS 12 and<br>HKAS 27 (2011)<br>Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)<br>– <i>Investment Entities</i>  |
| HKAS 32 Amendments                                     | Amendments to HKAS 32 <i>Financial Instruments</i> :<br><i>Presentation – Offsetting Financial Assets and Financial Liabilities</i>                |
| HKAS 39 Amendments                                     | Amendments to HKAS 39 <i>Financial Instruments: Recognition and<br/>Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> |
| HK(IFRIC)-Int 21                                       | <i>Levies</i>  |

The adoption of the above new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated interim financial statements.

## 2. BUSINESS COMBINATIONS

On 22 April 2014, the Group acquired 60% of the registered capital of Tianjin Xin Hua Xi Logistics Co., Ltd. (“Tianjin Xin Hua Xi”), an unlisted company based in the People’s Republic of China (the “PRC”) specialising in depot services for a total cash consideration of US\$2,146,000, of which US\$1,940,000 was paid on 22 April 2014 and the remaining US\$206,000 was paid on 8 July 2014. The purpose of the acquisition of Tianjin Xin Hua Xi is to consolidate and expand the Group’s land-based logistics service chain as part of the Group’s strategy. The Group has elected to measure the non-controlling interest in Tianjin Xin Hua Xi at the non-controlling interest’s proportionate share of Tianjin Xin Hua Xi’s identifiable net assets.

On 30 June 2014, the Group acquired 60% of the registered capital of Qingdao Smart Cargo Logistics Co., Ltd. (“Qingdao Smart Cargo”), an unlisted company based in the PRC specialising in warehouse and depot services for a total cash consideration of US\$5,487,000, of which US\$2,496,000 was paid on 30 June 2014 and the remaining US\$2,991,000 was paid on 3 July 2014. The purpose of the acquisition of Qingdao Smart Cargo is to consolidate and expand the Group’s land-based logistics service chain as part of the Group’s strategy. The Group has elected to measure the non-controlling interest in Qingdao Smart Cargo at the non-controlling interest’s proportionate share of Qingdao Smart Cargo’s identifiable net assets.



## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 2. BUSINESS COMBINATIONS (CONTINUED)

The fair values of the identifiable assets and liabilities of Tianjin Xin Hua Xi and Qingdao Smart Cargo as at their respective dates of acquisition were as follows:

|   | Fair value recognised on acquisition              |  |                                   |
|---|---|--|-----------------------------------|
|   | Tianjin<br>Xin Hua Xi<br>US\$' 000<br>(Unaudited) | Qingdao<br>Smart Cargo<br>US\$' 000<br>(Unaudited) | Total<br>US\$' 000<br>(Unaudited) |
| Property, plant and equipment   | 1,523   | 2,939  | 4,462                             |
| Prepaid land lease payments   | —   | 9,273  | 9,273                             |
| Cash and bank balances  | 156   | 5  | 161                               |
| Trade receivables   | 171   | —  | 171                               |
| Other current assets  | 368   | 167  | 535                               |
| Trade payables  | (158)   | —  | (158)                             |
| Other current liabilities   | (386)   | (2,149)  | (2,535)                           |
| Total identifiable net assets at fair value                                     | 1,674   | 10,235   | 11,909                            |
| Non-controlling interests   | (670)   | (4,094)  | (4,764)                           |
| Goodwill arising on acquisition   | 1,142   | —  | 1,142                             |
| Gain on bargain purchase recognised in other income and gains in profit or loss | —   | (654)  | (654)                             |
|   | 2,146   | 5,487  | 7,633                             |
| Satisfied by cash   | 2,146   | 5,487  | 7,633                             |

The Group incurred transaction costs of US\$28,000 and US\$36,000 for the acquisition of Tianjin Xin Hua Xia and Qingdao Smart Cargo, respectively. These transaction costs have been expensed off and are included in administrative expenses in profit or loss.

The goodwill arising from the acquisition of Tianjin Xin Hua Xi represented the premium paid for the Group's strategy to consolidate its land-based logistics service chain. None of the goodwill recognised is expected to be deductible for income tax purpose.

The gain on bargain purchase arising from the acquisition of Qingdao Smart Cargo represented the difference between the consideration for the acquisition of Qingdao Smart Cargo and the fair value of the assets acquired.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 2. BUSINESS COMBINATIONS (CONTINUED)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

|  | <b>Tianjin<br/>Xin Hua Xi<br/>US\$' 000<br/>(Unaudited)</b> | <b>Qingdao<br/>Smart Cargo<br/>US\$' 000<br/>(Unaudited)</b> | <b>Total<br/>US\$' 000<br/>(Unaudited)</b> |
|--|---|--|--|
| Cash consideration   | (2,146)   | (5,487)  | (7,633)                                    |
| Cash and bank balances acquired  | 156   | 5  | 161  |
| Consideration not yet paid   | 206   | 2,991  | 3,197                                      |
| Net cash outflow included in cash flows from investing activities                      | <b>(1,784)</b>  | <b>(2,491)</b>   | <b>(4,275)</b>                             |
| Transaction costs of the acquisitions included in cash flows from operating activities | (28)  | (36)   | (64)                                       |
|  | <b>(1,812)</b>  | <b>(2,527)</b>   | <b>(4,339)</b>                             |

Since the date of acquisition, Tianjin Xin Hua Xi has contributed revenue of US\$1,109,000 and incurred a loss before tax of US\$45,000 for the period ended 30 June 2014. No revenue and profit or loss was contributed by Qingdao Smart Cargo for the period ended 30 June 2014 since the date of acquisition as it was acquired at the end of June 2014.

Had the business combinations taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been US\$657,933,000 and US\$38,597,000, respectively.

### 3. OPERATING SEGMENT INFORMATION

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

- (a) the sea freight logistics segment is engaged in the provision of marine transportation services and related businesses; and
- (b) the land-based logistics segment is engaged in the provision of integrated freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services and related businesses operating in Asia.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, other investment income and finance costs are excluded from such measurement.

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment results for the six months ended 30 June 2014

|                                   | Sea freight<br>logistics<br>US\$' 000<br>(Unaudited) | Land-based<br>logistics<br>US\$' 000<br>(Unaudited) | Total<br>US\$' 000<br>(Unaudited) |
|-----------------------------------|--|---|-----------------------------------|
| <b>Segment revenue:</b>           |  |   |                                   |
| Sales to external customers       | 290,622  | 366,999   | 657,621                           |
| Intersegment sales                | 211,997  | 11,754  | 223,751                           |
|                                   | <b>502,619</b>                                       | <b>378,753</b>                                      | <b>881,372</b>                    |
| <i>Reconciliation:</i>            |  |   |                                   |
| Elimination of intersegment sales |  |   | (223,751)                         |
| Revenue                           |  |   | <b>657,621</b>                    |
| <b>Segment results</b>            | <b>21,388</b>  | <b>33,374</b>                                       | <b>54,762</b>                     |
| <i>Reconciliation:</i>            |  |   |                                   |
| Bank interest income              |  |   | 7,803                             |
| Other investment income           |  |   | 137                               |
| Finance costs                     |  |   | (4,879)                           |
| Profit before tax                 |  |   | <b>57,823</b>                     |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities as at 30 June 2014

|   | Sea freight<br>logistics<br>US\$' 000<br>(Unaudited) | Land-based<br>logistics<br>US\$' 000<br>(Unaudited) | Total<br>US\$' 000<br>(Unaudited) |
|---|--|---|-----------------------------------|
| <b>Segment assets</b>                       | <b>644,957</b>                                       | <b>326,522</b>                                      | <b>971,479</b>                    |
| <i>Reconciliation:</i>                      |  |   |                                   |
| Elimination of intersegment receivables     |  |   | (143,520)                         |
| Corporate and other unallocated assets      |  |   | 523,627                           |
| Total assets                                |  |   | <b>1,351,586</b>                  |
| <b>Segment liabilities</b>                  | <b>104,049</b>                                       | <b>213,287</b>                                      | <b>317,336</b>                    |
| <i>Reconciliation:</i>                      |  |   |                                   |
| Elimination of intersegment payables        |  |   | (143,520)                         |
| Corporate and other unallocated liabilities |  |   | 430,931                           |
| Total liabilities                           |  |   | <b>604,747</b>                    |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment results for the six months ended 30 June 2013

|                                   | <b>Sea freight<br/>logistics<br/>US\$' 000<br/>(Unaudited)<br/>(Restated)</b> | <b>Land-based<br/>logistics<br/>US\$' 000<br/>(Unaudited)<br/>(Restated)</b> | <b>Total<br/>US\$' 000<br/>(Unaudited)<br/>(Restated)</b> |
|-----------------------------------|---|--|---|
| <b>Segment revenue:</b>           |   |  |   |
| Sales to external customers       | 251,060   | 342,780  | 593,840   |
| Intersegment sales                | 219,981   | 11,779   | 231,760   |
|                                   | 471,041   | 354,559  | 825,600   |
| <i>Reconciliation:</i>            |   |  |   |
| Elimination of intersegment sales |   |  | (231,760)   |
| Revenue                           |   |  | 593,840   |
| <b>Segment results</b>            | 21,760  | 27,666   | 49,426  |
| <i>Reconciliation:</i>            |   |  |   |
| Bank interest income              |   |  | 4,660   |
| Other investment income           |   |  | 2,239   |
| Finance costs                     |   |  | (3,545)   |
| Profit before tax                 |   |  | 52,780  |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities as at 31 December 2013

|   | <b>Sea freight<br/>logistics<br/>US\$' 000<br/>(Audited)</b> | <b>Land-based<br/>logistics<br/>US\$' 000<br/>(Audited)</b> | <b>Total<br/>US\$' 000<br/>(Audited)</b> |
|---|--|---|--|
| <b>Segment assets</b>                       | 621,660  | 304,760   | 926,420                                  |
| <i>Reconciliation:</i>                      |  |   |  |
| Elimination of intersegment receivables     |  |   | (139,328)                                |
| Corporate and other unallocated assets      |  |   | 482,276                                  |
| Total assets                                |  |   | 1,269,368                                |
| <b>Segment liabilities</b>                  | 137,182  | 200,091   | 337,273                                  |
| <i>Reconciliation:</i>                      |  |   |  |
| Elimination of intersegment payables        |  |   | (139,328)                                |
| Corporate and other unallocated liabilities |  |   | 326,132                                  |
| Total liabilities                           |  |   | 524,077                                  |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 4. OTHER INCOME AND GAINS

|   | For the six months ended 30 June |  |
|---|----------------------------------|--|
|   | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited)<br>(Restated) |
| <b>Other income</b>   |                                  |  |
| Bank interest income  | 7,803                            | 4,660  |
| Other investment income   | 137                              | 2,239  |
| Others  | 141                              | 114  |
|   | <b>8,081</b>                     | 7,013  |
| <b>Gains</b>  |                                  |  |
| Gain on disposal of items of property, plant and equipment, net           | 8                                | 170  |
| Fair value gains, net:  |                                  |  |
| Derivative instruments – transactions not qualifying as hedges            | —                                | 624  |
| Cash flow hedges (transfer from equity)                                   | 2,160                            | 5,715  |
| Gain on bargain purchase (note 2)   | 654                              | —  |
| Foreign exchange differences, net   | —                                | 4,909  |
| Foreign exchange gains arising from the capital reduction of a subsidiary | —                                | 1,974  |
|   | <b>2,822</b>                     | 13,392   |
|   | <b>10,903</b>                    | 20,405   |



## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 5. PROFIT BEFORE TAX

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

|   | For the six months ended 30 June |  |
|---|----------------------------------|--|
|   | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited)<br>(Restated) |
| Cost of bunkers consumed  | 116,850                          | 118,568  |
| Cost of services provided   | 362,324                          | 325,748  |
| Depreciation  | 17,005                           | 13,635   |
| Recognition of prepaid land lease payments  | 157                              | 157  |
| Foreign exchange differences, net   | 1,461*                           | (4,909)  |
| Fair value losses/(gains) on derivative instruments<br>for transactions not qualifying as hedges, net | 1,303*                           | (624)  |

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

### 6. FINANCE COSTS

Finance costs for the period are interest on bank loans.

### 7. INCOME TAX

|                                 | For the six months ended 30 June |                                  |
|---------------------------------|----------------------------------|----------------------------------|
|                                 | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited) |
| Current:                        |                                  |                                  |
| Mainland China                  | 1,320                            | 409                              |
| Hong Kong                       | 438                              | 723                              |
| Elsewhere                       | 25                               | 43                               |
| Total tax charge for the period | 1,783                            | 1,175                            |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 7. INCOME TAX (CONTINUED)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits during the period, based on the existing legislation, interpretations and practices in respect thereof. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The share of income tax attributable to joint ventures and associates for the six months ended 30 June 2014 amounting to US\$1,392,000 and US\$2,000 (six months ended 30 June 2013: US\$1,057,000 and US\$10,000) is included in "Share of profits and losses of joint ventures" and "Share of profits and losses of associates", respectively, in the condensed consolidated statement of profit or loss and other comprehensive income.

### 8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,585,730,448 (six months ended 30 June 2013: 2,584,537,293) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

|   | For the six months ended 30 June |                           |
|---|----------------------------------|---------------------------|
|   | 2014                             | 2013                      |
|   | US\$' 000                        | US\$' 000                 |
|   | (Unaudited)                      | (Unaudited)<br>(Restated) |
| <b>Earnings</b>   |                                  |                           |
| Profit attributable to ordinary equity holders of the parent,<br>used in the basic and diluted earnings per share calculation | <b>55,775</b>                    | 51,204                    |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(CONTINUED)

|  | Number of shares                 |                     |
|--|----------------------------------|---------------------|
|  | For the six months ended 30 June |                     |
|  | 2014<br>(Unaudited)              | 2013<br>(Unaudited) |
| <b>Shares</b>  |                                  |                     |
| Weighted average number of ordinary shares in issue during the period,<br>used in the basic earnings per share calculation   | <b>2,585,730,448</b>             | 2,584,537,293       |
| Effect of dilution - weighted average number of ordinary shares:   |                                  |                     |
| Share options  | <b>4,168,852</b>                 | 2,812,199           |
| Weighted average number of ordinary shares in issue during the period,<br>used in the diluted earnings per share calculation | <b>2,589,899,300</b>             | 2,587,349,492       |

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment at a total cost of US\$33,696,000 (six months ended 30 June 2013: US\$29,338,000 (restated)) and disposed of items of property, plant and equipment with an aggregate carrying amount of US\$239,000 (six months ended 30 June 2013: US\$766,000).

### 11. TRADE RECEIVABLES

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 ranges from 15 days to three months. 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 Statements

30 June 2014

### 11. TRADE RECEIVABLES (CONTINUED)

An aged analysis of the trade receivables as at the end of reporting period, based on the invoice date and net of provisions, is as follows:

|                | <b>30 June<br/>2014<br/>US\$' 000<br/>(Unaudited)</b> | 31 December<br>2013<br>US\$' 000<br>(Audited) |
|----------------|---|---|
| Within 1 month | <b>69,002</b>   | 64,932  |
| 1 to 2 months  | <b>9,008</b>  | 9,339   |
| 2 to 3 months  | <b>3,215</b>  | 1,681   |
| Over 3 months  | <b>791</b>  | 608   |
|                | <b>82,016</b>   | 76,560  |

Included in the Group's trade receivables are amounts due from the companies controlled by the Controlling Shareholder, the Group's joint ventures and the Group's associates of US\$141,000 (2013: US\$1,000), US\$11,646,000 (2013: US\$7,767,000) and US\$697,000 (2013: US\$37,000), respectively, which are repayable on credit terms similar to those offered to major customers of the Group.

### 12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

|                | <b>30 June<br/>2014<br/>US\$' 000<br/>(Unaudited)</b> | 31 December<br>2013<br>US\$' 000<br>(Audited) |
|----------------|---|---|
| Within 1 month | <b>115,393</b>  | 128,208                                       |
| 1 to 2 months  | <b>15,646</b>   | 9,248   |
| 2 to 3 months  | <b>2,989</b>  | 3,093   |
| Over 3 months  | <b>6,472</b>  | 4,913   |
|                | <b>140,500</b>  | 145,462                                       |

Included in the Group's trade payables are amounts due to the companies controlled by the Controlling Shareholder, the Group's joint ventures and the Group's associates of US\$122,000 (2013: US\$499,000), US\$2,978,000 (2013: US\$2,156,000) and Nil (2013: US\$739,000), respectively, which are repayable within 30 days, on credit terms similar to those offered by major suppliers of the Group.

The trade payables are non-interest-bearing and are normally settled on terms ranging from 15 to 45 days.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 13. SHARE CAPITAL

|  | 30 June 2014             |  | 31 December 2013       |                                      |
|--|--------------------------|--|------------------------|--------------------------------------|
|  | HK\$' 000<br>(Unaudited) | US\$' 000<br>equivalent<br>(Unaudited) | HK\$' 000<br>(Audited) | US\$' 000<br>equivalent<br>(Audited) |
| Authorised:  |                          |  |                        |                                      |
| 5,000,000,000 ordinary shares of HK\$0.1 each                          | 500,000                  |  | 500,000                |                                      |
| Issued and fully paid:   |                          |  |                        |                                      |
| 2,586,062,000 (2013: 2,585,273,000)<br>ordinary shares of HK\$0.1 each | 258,606                  | 33,343                                 | 258,527                | 33,333                               |

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

|   | Number of<br>issued and<br>fully paid<br>ordinary shares<br>(Unaudited) | Issued share capital     |  |
|---|---|--------------------------|--|
|   |   | HK\$' 000<br>(Unaudited) | US\$' 000<br>equivalent<br>(Unaudited) |
| At 1 January 2014   | 2,585,273,000   | 258,527                  | 33,333                                 |
| Issue of new shares upon exercise of share options (note) | 789,000   | 79                       | 10                                     |
| At 30 June 2014   | 2,586,062,000   | 258,606                  | 33,343                                 |

Note: The subscription rights attaching to 789,000 share options were exercised at the subscription price of HK\$1.968 per share, resulting in the issue of 789,000 new ordinary shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$1,553,000 (equivalent to approximately US\$200,000). An amount of US\$93,000, representing the share option reserve attributable to these share options, was transferred from the share option reserve to the share premium account upon the exercise of the share options.

### 14. CAPITAL COMMITMENTS

The Group had the following commitments at the end of the reporting period:

|                                   | 30 June<br>2014<br>US\$' 000<br>(Unaudited) | 31 December<br>2013<br>US\$' 000<br>(Audited) |
|-----------------------------------|---|---|
| Contracted, but not provided for: |   |   |
| Acquisition of vessels            | 251,280                                     | 255,880                                       |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 15. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group had no significant contingent liabilities.

### 16. RELATED PARTY TRANSACTIONS

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

|  | For the six months ended 30 June |  |
|--|----------------------------------|--|
|  | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited)<br>(Restated) |
| Companies controlled by the Controlling Shareholder:         |                                  |  |
| Freight forwarding services income for marine transportation | 8,004                            | 7,805  |
| Freight forwarding services expenses                         | —                                | 26   |
| Shipping agency fee expenses                                 | 631                              | 541  |
| Custom services income                                       | —                                | 1  |
| Container vessels rental expenses                            | 1,019                            | 998  |
| Vessel management income                                     | 36                               | 37   |
| Joint ventures:  |                                  |  |
| Container marine transportation services income              | 61,024                           | 53,821   |
| Freight forwarding services income for marine transportation | 1,208                            | 1,348  |
| Custom services income                                       | 15                               | —  |
| Land and building rental income                              | 488                              | —  |
| Warehousing expenses   | 13                               | 4,080  |
| Shipping agency expenses                                     | 973                              | —  |
| Freight forwarding services expenses                         | 2,519                            | 969  |
| Associates:  |                                  |  |
| Container marine transportation services income              | 18,616                           | 8,125  |
| Shipping agency fee expenses                                 | 266                              | 193  |
| Freight forwarding services expenses                         | 43                               | —  |

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

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 16. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Compensation of key management personnel of the Group:

|   | For the six months ended 30 June |                                  |
|---|----------------------------------|----------------------------------|
|   | 2014<br>US\$' 000<br>(Unaudited) | 2013<br>US\$' 000<br>(Unaudited) |
| Short term employee benefits              | 931                              | 947                              |
| Post-employment benefits                  | 32                               | 31                               |
| Equity-settled share option expense       | 6                                | 72                               |
| Total compensation paid to key management | 969                              | 1,050                            |

- (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 demand.

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.

- (d) Other transactions with related parties

The companies controlled by the Controlling Shareholder have guaranteed certain of the Group's bank loans up to US\$86,312,000 as at 31 December 2013. The guarantees given by these companies were terminated during the period and hence there were no guarantees given by related parties as at 30 June 2014.



# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The unlisted equity investments of the Group's available-for-sale investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair values measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team 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.

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:

The fair value of listed equity investments of the Group's available-for-sale investments is based on quoted market prices.

The fair values of club debenture of available-for-sale investments at fair value are based on quoted market process. The directors believe that the estimated fair values resulting from the changes in quoted market prices, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of held-to-maturity investments and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The non-performance risk from the Group for its interest-bearing bank borrowings as at 30 June 2014 was assessed to be insignificant.

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.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 17. 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

As at 30 June 2014

|   | Fair value measurement using   |  |  | Total<br>US\$' 000<br>(Unaudited) |
|---|--|--|--|-----------------------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>US\$' 000<br>(Unaudited) | Significant<br>observable<br>inputs<br>(Level 2)<br>US\$' 000<br>(Unaudited) | Significant<br>unobservable<br>inputs<br>(Level 3)<br>US\$' 000<br>(Unaudited) |                                   |
| Listed equity investments, at fair value of<br>available-for-sale investments | 2,391  | —  | —  | 2,391                             |
| Club debentures, at fair value of<br>available-for-sale investments           | 559  | —  | —  | 559                               |
| Derivative financial instruments  | —  | 758  | —  | 758                               |
|   | <b>2,950</b>   | <b>758</b>   | <b>—</b>   | <b>3,708</b>                      |

As at 31 December 2013

|   | Fair value measurement using   |  |  | Total<br>US\$' 000<br>(Audited) |
|---|--|--|--|---------------------------------|
|   | Quoted prices<br>in active<br>markets<br>(Level 1)<br>US\$' 000<br>(Audited) | Significant<br>observable<br>inputs<br>(Level 2)<br>US\$' 000<br>(Audited) | Significant<br>unobservable<br>inputs<br>(Level 3)<br>US\$' 000<br>(Audited) |                                 |
| Club debentures, at fair value of<br>available-for-sale investments | 559  | —  | —  | 559                             |
| Derivative financial instruments                                    | —  | 5,514  | —  | 5,514                           |
|   | <b>559</b>   | <b>5,514</b>   | <b>—</b>   | <b>6,073</b>                    |

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2014

### 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Liabilities measured at fair value

As at 30 June 2014

|                                  | Fair value measurement using   |  |  | Total<br>US\$' 000<br>(Unaudited) |
|----------------------------------|--|--|--|-----------------------------------|
|                                  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>US\$' 000<br>(Unaudited) | Significant<br>observable<br>inputs<br>(Level 2)<br>US\$' 000<br>(Unaudited) | Significant<br>unobservable<br>inputs<br>(Level 3)<br>US\$' 000<br>(Unaudited) |                                   |
| Derivative financial instruments | —  | 865  | —  | 865                               |

As at 31 December 2013

|                                  | Fair value measurement using   |  |  | Total<br>US\$' 000<br>(Audited) |
|----------------------------------|--|--|--|---------------------------------|
|                                  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>US\$' 000<br>(Audited) | Significant<br>observable<br>inputs<br>(Level 2)<br>US\$' 000<br>(Audited) | Significant<br>unobservable<br>inputs<br>(Level 3)<br>US\$' 000<br>(Audited) |                                 |
| Derivative financial instruments | —  | 1,200  | —  | 1,200                           |

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 (six months ended 30 June 2013: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2013: Nil).

### 18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 28 August 2014.