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## **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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **Financial Highlights**

- Revenue for the six months ended 30 June 2020 was approximately US\$742.9 million, decreased by approximately 0.4% as compared to approximately US\$746.1 million for the corresponding period in 2019.
- Gross profit for the six months ended 30 June 2020 increased by approximately 10.9% from approximately US\$142.9 million for the six months ended 30 June 2019 to approximately US\$158.5 million, which translated to an increase in gross profit margin to approximately 21.3% for the six months ended 30 June 2020 from approximately 19.2% for the six months ended 30 June 2019.
- Profit for the six months ended 30 June 2020 increased by approximately 9.9% to approximately US\$119.6 million from approximately US\$108.8 million for the corresponding period in 2019.
- Basic earnings per share for the six months ended 30 June 2020 amounted to US4.46 cents (30 June 2019: US4.07 cents).
- An interim dividend of HK22 cents per share (equivalent to US2.84 cents per share) was declared for the six months ended 30 June 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of SITC International Holdings Company Limited (“**SITC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as below.

## FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(7,055)	(3,050)
Reclassification adjustments for losses included in profit or loss	<u>881</u>	<u>779</u>
	<u>(6,174)</u>	<u>(2,271)</u>
Changes in fair value of debt investments at fair value through other comprehensive income	–	917
Exchange differences on translation of foreign operations	(2,202)	69
Share of other comprehensive income/(loss) of joint ventures	(96)	58
Share of other comprehensive loss of associates	<u>(108)</u>	<u>(16)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(8,580)</u>	<u>(1,243)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX</b>	<u>(8,580)</u>	<u>(1,243)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>111,059</u></u>	<u><u>107,540</u></u>

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2020</b>	2019
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Shareholders of the Company		<b>118,610</b>	107,964
Non-controlling interests		<b>1,029</b>	819
		<u>119,639</u>	<u>108,783</u>
Total comprehensive income for the period attributable to:			
Shareholders of the Company		<b>110,199</b>	106,642
Non-controlling interests		<b>860</b>	898
		<u>111,059</u>	<u>107,540</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	8		
Basic (US cents per share)		<u>4.46</u>	<u>4.07</u>
Diluted (US cents per share)		<u>4.43</u>	<u>4.03</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2020</b> <i>US\$'000</i> (Unaudited)	31 December 2019 <i>US\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>994,476</b>	969,957
Right-of-use assets		<b>159,342</b>	164,308
Advance payments for acquisition of vessels		<b>44,369</b>	49,954
Goodwill		<b>1,002</b>	1,016
Other intangible assets		<b>1,579</b>	1,579
Investments in joint ventures		<b>35,307</b>	34,467
Investments in associates		<b>9,740</b>	9,703
Derivative financial instruments		<b>2,828</b>	14
		<b>1,248,643</b>	1,230,998
<b>Total non-current assets</b>			
<b>CURRENT ASSETS</b>			
Bunkers		<b>16,698</b>	22,067
Trade receivables	9	<b>53,771</b>	70,551
Prepayments, deposits and other receivables		<b>22,012</b>	18,903
Derivative financial instruments		<b>312</b>	252
Principal-protected investment deposits at fair value through profit or loss		<b>4,311</b>	7,410
Cash and bank balances		<b>466,928</b>	399,363
		<b>564,032</b>	518,546
<b>Total current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>146,549</b>	137,862
Other payables and accruals		<b>59,126</b>	60,315
Derivative financial instruments		<b>1,262</b>	–
Bank borrowings		<b>92,248</b>	55,416
Lease liabilities		<b>40,047</b>	38,498
Dividend payables		<b>207</b>	102,615
Income tax payables		<b>1,207</b>	1,610
		<b>340,646</b>	396,316
<b>Total current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>223,386</b>	122,230
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,472,029</b>	1,353,228

	<b>30 June 2020</b> <i>US\$'000</i> (Unaudited)	31 December 2019 <i>US\$'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Derivative financial instruments	<b>5,547</b>	–
Bank borrowings	<b>329,990</b>	226,596
Lease liabilities	<b>100,294</b>	104,656
Provision for reinstatement costs	<b>2,469</b>	2,406
	<hr/>	<hr/>
Total non-current liabilities	<b>438,300</b>	333,658
	<hr/>	<hr/>
Net assets	<b>1,033,729</b>	1,019,570
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<b>EQUITY</b>		
Equity attributable to shareholders of the Company		
Issued capital	<b>34,536</b>	34,513
Reserves	<b>989,784</b>	975,730
	<hr/>	<hr/>
	<b>1,024,320</b>	1,010,243
Non-controlling interests	<b>9,409</b>	9,327
	<hr/>	<hr/>
Total equity	<b>1,033,729</b>	1,019,570
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## 1.1 CORPORATE INFORMATION

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

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

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

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

## 1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

### **Changes in accounting policies and disclosures**

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

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

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

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

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

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments do not have any significant impact on the financial position and performance of the Group.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.



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

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

## **2. OPERATING SEGMENT INFORMATION**

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

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

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

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

## Basis of segment information

	Container shipping and logistics		Dry bulk and others		Total	
	Six months ended 30 June 2020 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2020 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2020 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)
<b>Segment revenue:</b>						
Sales to external customers	<u>731,960</u>	<u>733,123</u>	<u>10,983</u>	<u>12,958</u>	<u>742,943</u>	<u>746,081</u>
<b>Segment results</b>	<u>123,337</u>	<u>108,591</u>	<u>1,997</u>	<u>4,442</u>	<u>125,334</u>	113,033
<i>Reconciliation:</i>						
Bank interest income					6,000	6,318
Interest income of debt investments at fair value through other comprehensive income					-	264
Investment income of principal-protected investment deposits at fair value through profit or loss					120	423
Finance costs					<u>(6,926)</u>	<u>(6,936)</u>
Profit before tax					<u>124,528</u>	<u>113,102</u>
	Container shipping and logistics		Dry bulk and others		Total	
	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)	30 June 2020 US\$'000 (Unaudited)	31 December 2019 US\$'000 (Audited)
<b>Segment assets</b>	<u>1,185,034</u>	<u>1,014,505</u>	<u>142,176</u>	<u>145,184</u>	<u>1,327,210</u>	1,159,689
<i>Reconciliation:</i>						
Corporate and other unallocated assets					<u>485,465</u>	<u>589,855</u>
Total assets					<u>1,812,675</u>	<u>1,749,544</u>
<b>Segment liabilities</b>	<u>331,324</u>	<u>431,302</u>	<u>3,142</u>	<u>479</u>	<u>334,466</u>	431,781
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					<u>444,480</u>	<u>298,193</u>
Total liabilities					<u>778,946</u>	<u>729,974</u>

### 3. OTHER INCOME AND GAINS, NET

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

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

#### 4. FINANCE COSTS

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

#### 5. PROFIT BEFORE TAX

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

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

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

## 6. INCOME TAX

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

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

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

## 7. INTERIM DIVIDEND

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

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

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

## 9. TRADE RECEIVABLES

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

### *Notes:*

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

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

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

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

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

## 10. TRADE PAYABLES

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

#### *Business Review*

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

#### *(i) Container shipping and logistics business*

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

As of 30 June 2020, the Group operated 70 trade lanes, including 9 trade lanes through joint services and 27 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 72 major ports in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 30 June 2020, the Group operated a fleet of 86 vessels with a total capacity of 125,403 TEU, comprised of 59 self-owned (81,571 TEU) and 27 chartered vessels (43,832 TEU), with an average age of 10.8 years. 49 of these 86 vessels were of the 1,000 TEU type. For the six months ended 30 June 2020, US\$45,722 million out of US\$53,044 million of paid out capital expenditure was attributable to vessel purchases. In addition, the Group also operated (including through joint ventures) approximately 1,195,911 m<sup>2</sup> of depot and 91,700 m<sup>2</sup> of warehousing space.

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

(ii) *Dry bulk and other business*

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

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

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

## Financial Overview

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

## ***Revenue***

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

## **Cost of Sales**

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

## ***Gross Profit and Gross Profit Margin***

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

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

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

## ***Bank Interest Income and Other Investment Income***

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

### ***Administrative Expenses***

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

### ***Other Expenses, net***

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

### ***Finance Costs***

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

### ***Share of Profits of Joint Ventures***

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

### ***Share of Profits of Associates***

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

### ***Profit before Tax***

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

## *Income Tax Expenses*

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

## *Profit for the Period*

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

## **Container Shipping and Logistics**

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

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

## ***Segment results***

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

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

## ***Revenue***

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

## ***Cost of Sales***

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

## ***Gross Profit and Gross Profit Margin***

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

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

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

### ***Administrative Expenses***

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

### ***Other Expenses, net***

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

### ***Share of Profits of Joint Ventures***

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

### ***Share of Profits of Associates***

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

### ***Segment Results***

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



## Dry Bulk and Others

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

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

## Revenue

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

- *Dry bulk business.* Revenue of the Group's dry bulk business decreased by approximately 16.4% from approximately US\$12.2 million for the six months ended 30 June 2019 to approximately US\$10.2 million for the corresponding period in 2020. This primarily reflected the decrease in the average daily charter rate of dry bulk vessels.

- *Other businesses.* Revenue of the Group's other businesses was approximately US\$0.8 million and US\$0.7 million for the six months ended 30 June 2020 and 2019, respectively. There was no material fluctuation in the amount.

### ***Cost of Sales***

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

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

### ***Gross Profit and Gross Profit Margin***

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

### *Administrative Expenses*

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

### *Share of Profits/Losses of Joint Ventures*

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

### *Segment Results*

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

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

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

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

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

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

## **CONTINGENT LIABILITIES**

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

## **CHARGE ON ASSETS**

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

## **EMPLOYEE AND REMUNERATION POLICIES**

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

## **SIGNIFICANT INVESTMENTS**

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

## **INTERIM DIVIDEND**

At the meeting of the Board held on 21 August 2020, the Board has resolved to declare an interim dividend of HK22 cents (equivalent to US2.84 cents) (six months ended 30 June 2019: HK18 cents) per share for the six months ended 30 June 2020 to shareholders whose name appear on the register of members of the Company at the close of business on 9 September 2020 (Wednesday). The dividend is expected to be paid on or before 17 September 2020 (Thursday).

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

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed from 7 September 2020 (Monday) to 9 September 2020 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 4 September 2020 (Friday).

## **OTHER INFORMATION**

### **Purchase, Sale and Redemption of Shares**

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

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

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

### **Corporate Governance**

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

## **Model Code for Securities Transactions by Directors**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) and devised its own code of conduct regarding directors’ dealings in the Company’s securities (the “**Company Code**”) on terms no less exacting than the Model Code. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company Code throughout the six months ended 30 June 2020.

## **Audit Committee**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors. The members currently are Dr. Lo Wing Yan, William, Dr. Ngai Wai Fung and Mr. Tsui Yung Kwok, being the chairman of the Audit Committee. The Audit Committee and the Company’s management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2020.

## **Publication of Interim Results Announcement and Interim Report**

This interim results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.sitc.com>). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the aforesaid websites in due course.

By Order of the Board  
**SITC International Holdings Company Limited**  
**Yang Shaopeng**  
*Chairman*

Hong Kong, 21 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Yang Shaopeng, Mr. Yang Xianxiang, Mr. Liu Kecheng, Mr. Xue Peng, Mr. Xue Mingyuan and Mr. Lai Zhiyong; and the independent non-executive directors of the Company are Mr. Tsui Yung Kwok, Mr. Yeung Kwok On, Dr. Lo Wing Yan, William and Dr. Ngai Wai Fung.*