



2019

Interim Report

SITC

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1308

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Corporate Information

DIRECTORS

Executive Directors

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

Sustainable Development Committee

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

Risk Management Committee

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTER

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

AUTHORISED REPRESENTATIVES

LIU Kecheng
XUE Peng

JOINT COMPANY SECRETARIES

XUE Peng
CHAN Wai Ling (FCS, FCIS (PE))

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PLACE OF LISTING

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

NAME OF STOCK

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

STOCK CODE

01308

PRINCIPAL BANKERS (by alphabetical order)

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

AUDITOR

Ernst & Young

LEGAL ADVISORS

As to Hong Kong law:

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

As to Cayman Islands law:

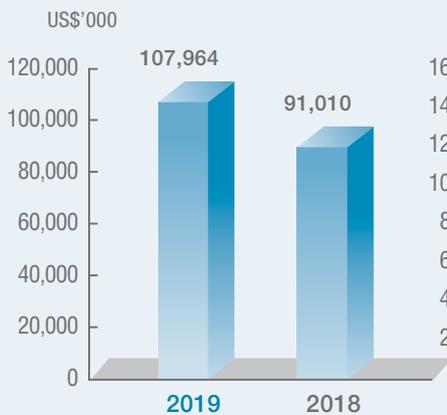
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE

www.sitc.com

Financial and Operating Highlights

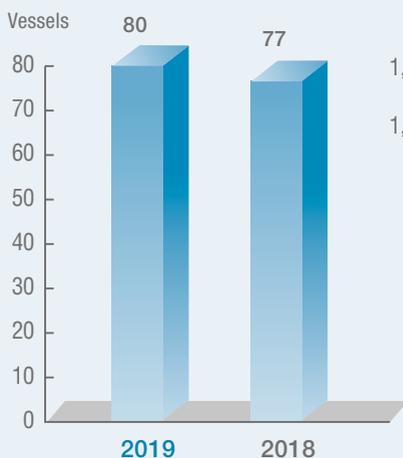
Profit attributable to shareholders of the Company for the six months ended 30 June



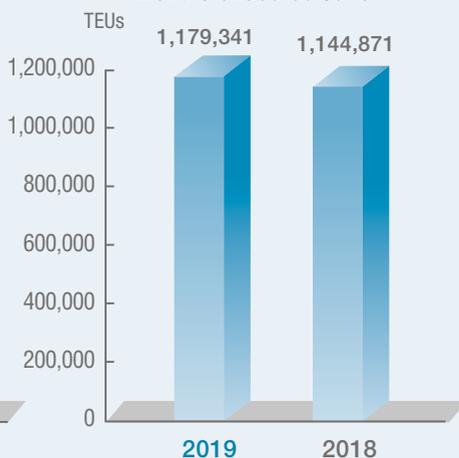
Net cash flows from operating activities for the six months ended 30 June



Number of container vessels as at 30 June



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



Management Discussion and Analysis

OVERVIEW

Business Review

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

(i) Container shipping and logistics business

The Group's container shipping and logistics business covers integrated logistics services, such as the provision of container transportation, freight forwarding, shipping agency, depot and warehousing, etc. During the six months ended 30 June 2019, 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 2019, the Group operated 63 trade lanes, including 9 trade lanes through joint services and 22 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 66 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 2019, the Group operated a fleet of 80 vessels with a total capacity of 112,583 TEU, comprised of 55 self-owned (71,839 TEU) and 25 chartered vessels (40,744 TEU), with an average age of 9.9 years. 48 of these 80 vessels were of the 1,000 TEU type. For the six months ended 30 June 2019, US\$45.7 million out of US\$49.1 million of paid out capital expenditure was attributable to vessel purchases. In addition, the Group also operated (including through joint ventures) approximately 1,144,394 m² of depot and 87,374 m² of warehousing space.

Management Discussion and Analysis

Revenue generated by the Group's container shipping and logistics business for the first half of 2019 increased by approximately 7.6% from US\$681.3 million for the six months ended 30 June 2018 to US\$733.1 million for the corresponding period in 2019. The increase was a result of a combined effect, from container shipping and supporting logistics business, where (i) the average freight rate (excluding slot exchange fee income) increased by approximately 4.4% from US\$522.9/TEU for the six months ended 30 June 2018 to US\$545.8/TEU for the corresponding period in 2019; and (ii) the container shipping volume increased by approximately 3.0% from 1,144,871 TEUs for the six months ended 30 June 2018 to 1,179,341 TEUs for the corresponding period in 2019.

(ii) Dry bulk and others business

The Group's dry bulk and others business covers the provision of dry bulk vessel leasing, land leasing and air-freight forwarding services. As of 30 June 2019, the Group had 6 dry bulk vessels with a total tonnage of 438,595 tons and an average age of 6.6 years.

Revenue generated by the Group's dry bulk and others business for the first half of 2019 increased by approximately 14.0% from US\$11.4 million for the six months ended 30 June 2018 to US\$13.0 million. The increase was primarily attributable to the increase in the average daily charter hire of dry bulk vessels.

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

Management Discussion and Analysis

Financial Overview

	Container shipping and logistics		Dry bulk and others		Total	
	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2018 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2018 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2018 US\$'000 (Unaudited)
Revenue	733,123	681,336	12,958	11,418	746,081	692,754
Cost of sales	(594,800)	(567,001)	(8,373)	(7,675)	(603,173)	(574,676)
Gross profit	138,323	114,335	4,585	3,743	142,908	118,078
Other income and gains (excluding bank interest income and other investment income)	4,629	7,167	–	95	4,629	7,262
Administrative expenses	(37,954)	(36,772)	(43)	(82)	(37,997)	(36,854)
Share of profits of:						
Joint ventures	4,180	5,158	(99)	(133)	4,081	5,025
Associates	197	178	–	–	197	178
Other expenses, net	(784)	(989)	(1)	(3)	(785)	(992)
Segment results	108,591	89,077	4,442	3,620	113,033	92,697
Finance costs					(6,936)	(4,937)
Bank interest and other investment income					7,005	8,238
Profit before tax					113,102	95,998
Income tax					(4,319)	(4,183)
Profit for the period					108,783	91,815
Profit attributable to:						
Shareholders of the Company					107,964	91,010
Non-controlling interests					819	805
					108,783	91,815

Management Discussion and Analysis

Revenue

The Group's total revenue increased by approximately 7.7% from approximately US\$692.8 million for the six months ended 30 June 2018 to approximately US\$746.1 million for the corresponding period in 2019. The increase was primarily attributable to the increase from container shipping and supporting logistics business in both average freight rate and container shipping volume.

Cost of Sales

The Group's cost of sales increased by approximately 5.0% from approximately US\$574.7 million for the six months ended 30 June 2018 to approximately US\$603.2 million for the corresponding period in 2019. The increase was primarily attributable to the increase from container shipping and supporting logistics business in bunker cost and equipment and cargos transportation costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased from approximately US\$118.1 million for the six months ended 30 June 2018 to approximately US\$142.9 for the six months ended 30 June 2019. The Group's gross profit margin increased from approximately 17.0% for the six months ended 30 June 2018 to approximately 19.2% for the corresponding period in 2019.

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

For the six months ended 30 June 2019, other income and gains (excluding bank interest income and other investment income) decreased by approximately US\$2.7 million from approximately US\$7.3 million for the six months ended 30 June 2018 to US\$4.6 million for the corresponding period in 2019. The decrease was mainly attributable to a year on year decrease of approximately US\$3.4 million for gains on disposal of fixed assets, including containers and others.

Management Discussion and Analysis

Bank Interest Income and Other Investment Income

The Group's bank interest income and other investment income was approximately US\$7.0 million and US\$8.2 million for the six months ended 30 June 2019 and 2018, respectively. The decrease was mainly attributable to the decrease in proceeds from disposal of equity investments.

Administrative Expenses

The Group's administrative expenses increased from approximately US\$36.9 million for the six months ended 30 June 2018 to approximately US\$38.0 million for the corresponding period in 2019, representing an increase of approximately 3.0%. The increase was primarily attributable to the overall increase in staff cost.

Other Expenses, net

The Group's other expenses, net were US\$0.8 million and US\$1.0 million for the six months ended 30 June 2019 and 2018, respectively. The decrease was mainly attributable to a year on year decrease of approximately US\$0.2 million in the hedging losses arising from realization of Japanese Yen.

Finance Costs

The Group's finance costs increased from approximately US\$4.9 million for the six months ended 30 June 2018 to approximately US\$6.9 million for the six months ended 30 June 2019. The increase was mainly attributable to the increase in interest on the lease liabilities due to the implementation of Hong Kong Financial Reporting Standard 16 *Leases* for the first time.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by approximately 18.0% from approximately US\$5.0 million for the six months ended 30 June 2018 to approximately US\$4.1 million for the six months ended 30 June 2019. The decrease was mainly attributable to the decline in the profits of part of the jointly controlled depots.

Management Discussion and Analysis

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 2019 and 2018. There was no change in the amount.

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased by approximately 17.8% from approximately US\$96.0 million for the six months ended 30 June 2018 to approximately US\$113.1 million for the corresponding period in 2019.

Income Tax Expenses

The Group's income tax expense was approximately US\$4.3 million and US\$4.2 million for the six months ended 30 June 2019 and 2018, respectively. There was no material change in the amount.

Profit for the Period

The Group's profit for the six months ended 30 June 2019 was approximately US\$108.8 million, representing an increase of approximately 18.5%, amount to approximately US\$17.0 million over the profit of US\$91.8 million for the corresponding period in 2018.

Management Discussion and Analysis

Container Shipping and Logistics

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

	Six months ended 30 June			
	2019	%	2018	%
	Amount (US\$'000) (Unaudited)	of segment revenue	Amount (US\$'000) (Unaudited)	of segment revenue
Income Statement Data:				
Segment revenue	733,123	100%	681,336	100%
Container shipping and supporting logistics income	668,369	91.2%	624,081	91.6%
Other container logistics income	64,754	8.8%	57,255	8.4%
Cost of Sales	(594,800)	(81.1%)	(567,001)	(83.2%)
Equipment and cargos transportation costs	(328,238)	(44.8%)	(320,837)	(47.1%)
Voyage costs	(133,248)	(18.1%)	(118,211)	(17.3%)
Container shipping vessels cost	(79,569)	(10.9%)	(79,124)	(11.6%)
Other container logistics costs	(53,745)	(7.3%)	(48,829)	(7.2%)
Gross Profit	138,323	18.9%	114,335	16.8%
Other income and gains (excluding bank interest income and other investment income)	4,629	0.6%	7,167	1.1%
Administrative expenses	(37,954)	(5.3%)	(36,772)	(5.4%)
Other expenses, net	(784)	(0.1%)	(989)	(0.2%)
Share of profits of:				
Joint ventures	4,180	0.6%	5,158	0.7%
Associates	197	0.1%	178	0.1%
Segment results	108,591	14.8%	89,077	13.1%

Management Discussion and Analysis

Segment results

The following table sets forth the number of trade lanes and port calls per week of the Group as at 30 June 2018 and 2019, and the average freight rate for the six months ended 30 June 2018 and 2019:

Six months ended 30 June		As of 30 June			
2019	2018	2019	2018	2019	2018
Average freight rate (US\$ per TEU, excluding slot exchange rate)		Number of trade lanes		Port calls per week	
545.8	522.9	63	66	379	403

Revenue

Revenue of the Group's container shipping and logistics business increased by approximately 7.6% from approximately US\$681.3 million for the six months ended 30 June 2018 to approximately US\$733.1 million for the six months ended 30 June 2019. This increase was a combined effect of (i) the increase in container shipping volume from 1,144,871 TEUs for the six months ended 30 June 2018 to 1,179,341 TEU for the corresponding period in 2019; and (ii) the increase in average container shipping freight rate (excluding slot exchange fee income) from US\$522.9/TEU for the six months ended 30 June 2018 to US\$545.8/TEU for the corresponding period in 2019.

Cost of Sales

The cost of sales of the Group's sea freight logistics business increased by approximately 4.9% from approximately US\$567.0 million for the six months ended 30 June 2018 to approximately US\$594.8 million for the corresponding period in 2019. Such increase was primarily attributable to the increase in bunker cost and equipment and cargos transportation costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group recorded gross profit of approximately US\$138.3 million for its container shipping and logistics business for the six months ended 30 June 2019, representing an increase of approximately US\$24.0 million as compared to US\$114.3 million for the corresponding period in 2018. The gross profit margin of the Group's container shipping and logistics business was approximately 18.9% and 16.8% for the six months ended 30 June 2019 and 2018, respectively.

Management Discussion and Analysis

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

For the six months ended 30 June 2019, the other income and gains (excluding bank interest income and other investment income) decreased to approximately US\$4.6 million from approximately US\$7.2 million for the corresponding period in 2018. The decrease was primarily attributable to a year on year decrease of approximately US\$3.4 million for gains on disposal of fixed assets, including containers and others.

Administrative Expenses

Administrative expenses of the Group's container shipping and logistics business increased from approximately US\$36.8 million for the six months ended 30 June 2018 to approximately US\$38.0 million in the corresponding period of 2019. The increase was mainly attributable to the overall increase in staff cost.

Other Expenses, net

Other expenses, net decreased from approximately US\$1.0 million for the six months ended 30 June 2018 to US\$0.8 million for the corresponding period in 2019. It was mainly attributable to a year on year decrease of approximately US\$0.2 million in the hedging losses arising from realization of Japanese Yen.

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 and US\$5.2 million for the six months ended 30 June 2019 and 2018, respectively. The change in the amount was mainly attributable to the decline in the profits of part of the jointly controlled depots.

Share of Profits of Associates

The Group's container shipping and logistics business' share of profits and losses of associates was approximately US\$0.2 million for both the six months ended 30 June 2019 and 2018. There was no 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 US\$19.5 million from approximately US\$89.1 million for the six months ended 30 June 2018 to approximately US\$108.6 million in the corresponding period in 2019.

Management Discussion and Analysis

Dry Bulk and Others

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

	Six months ended 30 June			
	2019	% of	2018	% of
	Amount	segment	Amount	segment
	(US\$'000)	revenue	(US\$'000)	revenue
	(Unaudited)		(Unaudited)	
Income Statement Data:				
Segment revenue	12,958	100%	11,418	100%
Dry bulk business	12,218	94.3%	10,650	93.3%
Other businesses	740	5.7%	768	6.7%
Cost of Sales	(8,373)	(64.6%)	(7,675)	(67.2%)
Dry bulk business	(8,010)	(61.8%)	(7,296)	(63.9%)
Other businesses	(363)	(2.8%)	(379)	(3.3%)
Gross Profit	4,585	35.4%	3,743	32.8%
Other income and gains (excluding bank interest income and investment income)	–	–	95	0.9%
Administrative expenses	(43)	(0.3%)	(82)	(0.7%)
Other expenses, net	(1)	(0.1%)	(3)	(0.1%)
Share of losses of:				
Joint ventures	(99)	(0.7%)	(133)	(1.2%)
Segment results	4,442	34.3%	3,620	31.7%

Management Discussion and Analysis

Revenue

The revenue of the Group's dry bulk and other businesses increased by approximately 14.0% from approximately US\$11.4 million for the six months ended 30 June 2018 to approximately US\$13.0 million for the corresponding period in 2019. This increase was mainly attributable to the following:

- *Dry bulk business.* Revenue of the Group's dry bulk business increased by approximately 14.0% from approximately US\$10.7 million for the six months ended 30 June 2018 to approximately US\$12.2 million for the corresponding period in 2019. This primarily reflected the increase in the average daily charter hire of dry bulk vessels.
- *Other businesses.* Revenue of the Group's other businesses was approximately US\$0.7 million and US\$0.8 million for the six months ended 30 June 2019 and 2018, 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 9.1% from approximately US\$7.7 million for the six months ended 30 June 2018 to approximately US\$8.4 million for the corresponding period in 2019. The increase was mainly a combined effect of the following:

- *Dry bulk business.* Cost of sales for the Group's dry bulk business was approximately US\$8.0 million and US\$7.3 million for the six months ended 30 June 2019 and 2018, respectively. There was no material fluctuation in the amount.
- *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 2019 and 2018. There was no change in the amount.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's dry bulk and others business increased by approximately 24.3% from approximately US\$3.7 million for the six months ended 30 June 2018 to approximately US\$4.6 million for the corresponding period in year 2019. The gross profit margin of the Group's dry bulk and others business increased from approximately 32.8% for the six months ended 30 June 2018 to approximately 35.4% for the corresponding period in 2019.

Administrative Expenses

Administrative expenses of the Group's dry bulk and others business was approximately US\$0.1 million for both the six months ended 30 June 2019 and 2018. There was no change in the amount.

Other Expenses, net

Other expenses, net incurred by the Group's dry bulk and others business for the six months ended 30 June 2019 amounted to US\$1,000 (for the six months ended 30 June 2018: US\$3,000). There was no material change in the amount.

Share of Losses of Joint Ventures

The Group's share of losses of joint ventures for the dry bulk and others business was approximately US\$0.1 million for both the six months ended 30 June 2019 and 2018. There was no fluctuation in the amount.

Segment Results

As a result of the foregoing, the segment results of the Group's dry bulk and others business increased by approximately 22.2% from approximately US\$3.6 million for the six months ended 30 June 2018 to approximately US\$4.4 million for the corresponding period in 2019.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by approximately 16.2% from approximately US\$1,551.9 million as at 31 December 2018 to approximately US\$1,803.1 million as at 30 June 2019. As at 30 June 2019, the Group had cash and cash equivalents amounting to approximately US\$499.4 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 46.6% from approximately US\$506.2 million as at 31 December 2018 to approximately US\$742.1 million as at 30 June 2019. As at 30 June 2019, the Group had secured interest-bearing bank loans of approximately US\$424.1 million. The maturity profile is spread over a period, with approximately US\$141.8 million repayable within one year or on demand, approximately US\$52.7 million within the second year, approximately US\$130.7 million within the third to fifth years and approximately US\$98.9 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 2019, the Group hedged approximately 14.3% (31 December 2018: 17.1%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2019, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.7 compared to that of 1.9 as at 31 December 2018. 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 19% and 11% as at 30 June 2019 and 31 December 2018, respectively.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 30 June 2019, 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\$604.7 million (31 December 2018: US\$565.1 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had an aggregate of 1,417 full-time employees (30 June 2018: 1,388). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$47.1 million (30 June 2018: US\$43.7 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 2019, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2019, 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, 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 future plans for significant investments or capital assets as at the date of this announcement.

Other Information

INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on 23 August 2019 (Friday), the Board has resolved to declare an interim dividend of HK18 cents (equivalent to US2.30 cents) per share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK15 cents) to shareholders of the Company (the “**Shareholders**”) whose name appear on the register of members of the Company at the close of business on 6 September 2019 (Friday).

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

POST-IPO SHARE OPTION SCHEME

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

Other Information

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 Post-IPO Share Option Scheme takes effect from the date it was adopted and shall remain effective within a period of 10 years from that date.

The followings are details of the options granted pursuant to the Post-IPO Share Option Scheme but not yet exercised for the six months ended 30 June 2019:

Grantee and position	Date of grant of options	Number of options outstanding as at 1 January 2019	Number of options of granted during the period	Number of options exercised/ cancelled/lapsed during the period	Number of options not yet exercised on 30 June 2019	Approximate percentage of shareholding of the exercise of the options
Executive Director						
LAI Zhiyong	10 March 2015	300,000	-	-	300,000	0.01%
XUE Mingyuan	25 October 2011	500,000	-	-	500,000	0.02%
Independent non-executive Director						
LO Wing Yan, William	10 March 2015	100,000	-	-	100,000	0.004%
Other employees						
Other employees	25 October 2011	1,289,000	-	130,000	1,159,000	
	10 March 2015	4,216,000	-	475,000	3,741,000	0.18%
Total		6,405,000	-	605,000	5,800,000	0.22%

Other Information

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

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

As at 30 June 2019, the Company had 5,800,000 share options outstanding under the Post-IPO Share Option Scheme, which represented approximately 0.22% of the Shares of the Company in issue as at 30 June 2019.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme on 10 September 2010 (the “**Pre-IPO Share Option Scheme**”). The purpose of the Pre-IPO Share Option Scheme is to reward the contribution of certain employees, executives or officers of the Company made or may have made to the growth of the Company and/or the listing of 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;

Other Information

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

The followings are details of the options granted pursuant to the Pre-IPO Share Option Scheme but not yet exercised for the six months ended 30 June 2019:

Grantee and position	Date of grant of options	Number of options granted and outstanding as at 1 January 2019	Number of options exercised/ cancelled/lapsed during the period	Number of options not yet exercised on 30 June 2019	Approximate percentage of shareholding upon the exercise of the options
Other employees	10 September 2010	9,352,000	2,428,000	6,924,000	0.26%
Total		9,352,000	2,428,000	6,924,000	0.26%

Other Information

As at 30 June 2019, the Company had 6,924,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.26% of the Shares of the Company in issue as at 30 June 2019. The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

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

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

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

SHARE AWARD SCHEME

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

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

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

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

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

On 25 March 2019, the Board resolved to grant an aggregate of 6,348,743 Shares (the “**Awarded Shares**”) to 552 selected participants (the “**Selected Participants**”) pursuant to the Scheme Rules, of which 5,444,233 Awarded Shares were awarded to 543 independent Selected Participants and 904,510 Awarded Shares were granted to 9 Directors. Please refer to the announcement of the Company dated 25 March 2019 for details of the grant.

Other Information

A summary of the Awarded Shares granted to Selected Participants during the period of six months ended 30 June 2019 are set forth below:

Name of Awardees	No. of	Total	Vesting Date	Vesting conditions
	Awarded Shares granted on 25 March 2019	Awarded Shares granted during the period		
Yang Xianxiang	173,320	173,320	The third anniversary of the date of grant, i.e. 25 March 2022 or an earlier date as approved by the Board.	Subject to the terms of the Scheme Rules and the fulfillment of such additional performance requirements as specified by the Board.
Liu Kecheng	162,487	162,487		
Xue Peng	124,574	124,574		
Xue Mingyuan	297,894	297,894		
Lai Zhiyong	81,243	81,243		
Tsui Yung Kwok	16,248	16,248		
Yeung Kwok On	16,248	16,248		
Lo Wing Yan, William	16,248	16,248		
Ngai Wai Fung	16,248	16,248		
Other employees	5,444,233	5,444,233		
Total		6,348,743		

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

As at 30 June 2019, 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”)) as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to 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 Shares of the Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of Shareholding
YANG Shaopeng ⁽²⁾	Beneficiary of the Pengli Trust	1,375,390,231 (L)	51.50%
	Beneficial Owner	10,619,000 (L)	0.40%
YANG Xianxiang	Beneficial Owner	8,679,924 (L)	0.32%
LIU Kecheng	Beneficial Owner	1,449,091 (L)	0.05%
XUE Peng ⁽³⁾	Beneficial Owner	1,822,717 (L)	0.07%
	Interest in controlled corporation	12,866,176 (L)	0.48%
XUE Mingyuan ⁽⁴⁾	Beneficiary of the Go Thrive Trust	1,906,100 (L)	0.07%
	Beneficial Owner	2,666,727 (L)	0.10%
LAI Zhiyong ⁽⁴⁾	Beneficiary of the Go Thrive Trust	3,037,847 (L)	0.11%
	Beneficial Owner	1,304,239 (L)	0.05%
TSUI Yung Kwok	Beneficial Owner	845,438 (L)	0.03%
YEUNG Kwok On	Beneficial Owner	146,438 (L)	0.01%
LO Wing Yan, William	Beneficial Owner	145,438 (L)	0.01%
NGAI Wai Fung	Beneficial Owner	845,438 (L)	0.03%

Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) 1,375,390,231 Shares are held by Resourceful Link Management Limited ("**Resourceful Link**"). The issued share capital of Resourceful Link is owned as to 79.82% by Better Master Limited ("**Better Master**"). Better Master is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.
- (3) 12,866,176 Shares were held by Watercrests Profits Limited, which was owned as to 100% by Add Investments Company Limited, which was owned as to 100% by Mr. XUE Peng.
- (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 in the Company subject to options under the Pre-IPO Share Option Scheme	Number of Shares in the Company subject to options under the Post-IPO Share Option Scheme	Number of Shares in the Company subject to vesting under the Share Award Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the shares subject to vesting under the Share Award Scheme ^(Note)
YANG Xianxiang	Beneficial owner	-	-	459,924	0.02%
LIU Kecheng	Beneficial owner	-	-	449,091	0.02%
XUE Peng	Beneficial owner	-	-	322,717	0.01%
XUE Mingyuan	Beneficial owner	-	500,000	766,727	0.05%
LAI Zhiyong	Beneficial owner	-	300,000	219,239	0.02%
TSUI Yung Kwok	Beneficial owner	-	-	45,438	0.002%
YEUNG Kwok On	Beneficial owner	-	-	45,438	0.002%
LO Wing Yan, William	Beneficial owner	-	100,000	45,438	0.01%
NGAI Wai Fung	Beneficial owner	-	-	45,438	0.002%

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

Other Information

(iii) Interest in associated corporations

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

Notes:

- (1) Resourceful Link is interested in approximately 51.50% of the issued share capital of the Company. Resourceful Link is owned as to 79.82% by Better Master, which is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.
- (2) Resourceful Link is interested in approximately 51.50% of the issued share capital of the Company. Jixiang Limited is interested in 17.00% of the issued share capital of Resourceful Link. Jixiang Limited is in turn owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin Islands. Mr. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust.
- (3) Resourceful Link is interested in approximately 51.50% of the issued share capital of the Company. Yicheng Investments Limited is interested in 3.18% of the issued share capital of Resourceful Link. Yicheng Group Limited is in turn owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin Islands. Mr. LIU Kecheng is the settlor and a beneficiary of the Yicheng Trust.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executives of the Company had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to any Director, as at 30 June 2019, the following persons (other than the Directors and chief executives of the Company) had interest and/or short position in the Shares or the underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of Shares ⁽¹⁾	Percentage of Shareholding
LIU Rongli ⁽²⁾	Beneficiary of the Pengli Trust	1,375,390,231 (L)	51.50%
	Interest of spouse	10,619,000 (L)	0.40%
Resourceful Link ⁽³⁾	Beneficial owner	1,375,390,231 (L)	51.50%
Better Master ⁽³⁾	Interest in controlled corporation	1,375,390,231 (L)	51.50%
UBS Trustees (B.V.I.) Limited ⁽³⁾	Trustee	1,375,390,231 (L)	51.50%
FMR LLC	Interest in controlled corporation	160,045,583 (L)	5.99%

Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) Ms. LIU Rongli is the spouse of Mr. YANG Shaopeng and is also deemed to be interested in all the shares of the Company held by Mr. YANG Shaopeng by virtue of the SFO.
- (3) Resourceful Link is owned as to 79.82%, 17.00% and 3.18% by Better Master, Jixiang Limited and Yicheng Group Limited. Better Master is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Pengli Trust. Jixiang Limited is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited as the trustee, holds such interests for the beneficiaries of the Jixiang Trust. Yicheng Group Limited is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin Islands by certain of the Directors to hold their family interests in the Company.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any person or corporation, other than the Directors or the chief executives of the Company, who had interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining a 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 2019, 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, save and except for code provision A.5.5(2) which stipulates that when a listed issuer proposes to elect an individual as Independent non-Executive Director ("**INED**") at a general meeting and the individual will be holding his seventh (or more) listed company directorship, it must explain why the board believes the individual would still be able to devote sufficient time to the board in the relevant shareholder circular and/or explanatory statement accompanying the meeting notice.

The Company genuinely believes that the code provision A.5.5(2) of the CG Code which took effect on 1 January 2019 is only applicable to the election of a new INED to the Board, but not the re-election of an existing INED. Based on such understanding, the Company has inadvertently not disclosed in the circular dated 18 April 2019 the details as required under code provision A.5.5(2) in respect of the re-election of Dr. Ngai Wai Fung ("**Dr. Ngai**") as an INED of the Company at the 2019 annual general meeting.

The nomination committee (the "**Nomination Committee**") and the Board of the Company have considered a number of factors including the time commitment before making recommendation to the Shareholders on the re-election of the retiring Directors. Although Dr. Ngai has served as director for more than seven listed companies, he has maintained his profession in various directorships of listed companies he served, and has actively participated in all the meetings of the Board and its committees held by the Company during the year 2018. Accordingly, the Board considered that Dr. Ngai has devoted sufficient time to perform his director's duties in the Company.

In terms of disclosure, the Company has made adequate disclosure in its annual report for the year ended 31 December 2018 and the accompanying circular on the re-election of the retiring Directors. The Company has disclosed in the circular the information about Dr. Ngai pursuant to Rule 13.51(2) of the Listing Rules, including the list of directorship in companies which Dr. Ngai served. It has also been clearly stated in the corporate governance report that the Nomination Committee has reviewed the qualifications, skills and experience, time commitment and contribution of the retiring Directors with reference

Other Information

to the nomination principles and criteria set out in the Company's Board Diversity Policy and Director Nomination Policy and the Company's corporate strategy, as well as the independence of all INEDs. Based on such factors and the recommendation from the Nomination Committee, the Board has recommended to the Shareholders on the re-election of all the retiring Directors (including the retiring INEDs). Accordingly, the Company is of the view that it has provided the Shareholders with sufficient information to form an informed view in order to make their voting decisions at the annual general meeting.

The Company acknowledges the deviation from code provision A.5.5 of the CG Code and will use its best endeavour to ensure full disclosure of requisite details in compliance with code provision A.5.5 for future election or re-election of INEDs at general meetings.

DIRECTORS' SECURITIES TRANSACTIONS

Model Code for Securities Transactions by Directors

The Board has adopted 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 with all Directors, they have confirmed that they complied with the required standards set out in the Model Code and the Company Code throughout the six months ended 30 June 2019.

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

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) for the six months ended 30 June 2019 are as follows:

Mr. Tsui Yung Kwok retired as director and ceased to be the chairman of the audit committee and member of each of the remuneration committee and nomination committee of 361 Degrees International Limited (the Stock Exchange, Stock Code:1361) with effect from 20 May 2019.

Dr. Lo Wing Yan William ("**Dr. Lo**") retired as independent non-executive director and ceased to be the member of each of the audit committee and nomination committee of Ronshine China Holdings Limited (the Stock Exchange, Stock Code: 3301) with effect from 5 June 2019.

Other Information

Dr. Lo was appointed as executive director and the chairman of the board of directors of SMI Holdings Group Limited (the Stock Exchange, Stock Code: 198) (“**SMI Holdings**”) with effect from 18 January 2019. On 28 February 2019, Dr. Lo was appointed as member of each of nomination committee and remuneration committee of SMI Holdings. Subsequently, Dr. Lo resigned as executive director and ceased to be the chairman of the board of directors and member of each of the nomination committee and remuneration committee of SMI Holdings with effect from 1 April 2019.

Dr. Lo was appointed as independent non-executive director and the chairman of the remuneration committee, member of each of the audit committee and nomination committee of Brightoil Petroleum (Holdings) Limited (the Stock Exchange, Stock Code: 933) with effect from 28 June 2019.

Mr. YEUNG Kwok On retired as independent non-executive director of Country Garden Holdings Company Limited (the Stock Exchange, Stock Code: 2007) with effect from 1 June 2019.

Save as disclosed above, having made all reasonable enquiry to the Directors, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the six months ended 30 June 2019.

PURCHASE, SALE AND REDEMPTION OF SHARES

Reference is made to the announcements of the Company dated 13 September 2017 and 11 January 2019 in respect of the share purchase pursuant to the Share Award Scheme.

During the period from 4 January 2019 to 10 January 2019, the trustee of the Share Award Scheme, at the Company’s instructions, purchased on the market an aggregate of 6,349,000 Shares for the purpose of the Share Award Scheme at a total consideration of approximately HK\$44.42 million.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2019.

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 2019.

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. Mr. TSUI Yung Kwok is the chairman of the Audit Committee. The Audit Committee and the Company’s management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2019.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2019 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

23 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
REVENUE	3	746,081	692,754
Cost of sales		(603,173)	(574,676)
Gross profit		142,908	118,078
Other income and gains, net	4	11,634	15,406
Administrative expenses		(37,997)	(36,854)
Other expenses, net		(785)	(898)
Finance costs	6	(6,936)	(4,937)
Share of profits and losses of:			
Joint ventures		4,081	5,025
Associates		197	178
PROFIT BEFORE TAX	5	113,102	95,998
Income tax	7	(4,319)	(4,183)
PROFIT FOR THE PERIOD		108,783	91,815

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/ (LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(3,050)	(3,263)
Reclassification adjustments for losses included in profit or loss	779	876
	(2,271)	(2,387)
Changes in fair value of debt investments at fair value through other comprehensive income	917	(2,115)
Exchange differences on translation of foreign operations	69	(3,213)
Share of other comprehensive income of joint ventures	58	650
Share of other comprehensive income/ (loss) of associates	(16)	167

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(1,243)	(6,898)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	(1,243)	(6,898)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	107,540	84,917
Profit for the period attributable to:		
Shareholders of the Company	107,964	91,010
Non-controlling interests	819	805
	108,783	91,815
Total comprehensive income for the period attributable to:		
Shareholders of the Company	106,642	84,280
Non-controlling interests	898	637
	107,540	84,917

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic (US cents per share)		4.07	3.43
Diluted (US cents per share)		4.03	3.42

Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	945,313	927,514
Right-of-use assets		144,709	–
Prepaid land lease payments		–	17,196
Advance payments for acquisition of vessels		40,389	46,376
Goodwill		1,032	1,029
Other intangible assets		1,579	1,579
Investments in joint ventures		36,027	35,777
Investments in associates		9,644	9,431
Debt investments at fair value through other comprehensive income	11	10,348	9,430
Derivative financial instruments		31	155
Total non-current assets		1,189,072	1,048,487
CURRENT ASSETS			
Prepaid land lease payment		–	468
Bunkers		21,488	22,962
Trade receivables	12	70,604	65,877
Prepayments, deposits and other receivables		18,543	16,625
Derivative financial instruments		223	105
Principal-protected investment deposits at fair value through profit or loss	13	3,771	16,665
Cash and bank balances		499,369	380,702
Total current assets		613,998	503,404

Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	14	136,703	138,767
Other payables and accruals	15	54,376	52,471
Derivative financial instruments		–	18
Bank borrowings		141,761	77,718
Lease liabilities		31,491	–
Income tax payables		820	1,271
Total current liabilities		365,151	270,245
NET CURRENT ASSETS			
		248,847	233,159
NON-CURRENT LIABILITIES			
Bank borrowings		282,361	235,947
Lease liabilities		92,657	–
Provision for reinstatement costs		1,965	–
Total non-current liabilities		376,983	235,947
Net assets		1,060,936	1,045,699

Condensed Consolidated Statement of Financial Position

30 June 2019

	Note	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	16	34,432	34,393
Reserves		1,019,012	1,002,639
		1,053,444	1,037,032
Non-controlling interests		7,492	8,667
Total equity		1,060,936	1,045,699

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Six months ended 30 June 2019

Note	Attributable to shareholders of the Company											Total equity US\$'000 (unaudited)	
	Issued capital US\$'000 (unaudited)	Share premium account US\$'000 (unaudited)	Share under share award scheme account US\$'000 (unaudited)	Share-based compensation reserve US\$'000 (unaudited)	Capital and other reserves US\$'000 (unaudited)	Hedging reserve US\$'000 (unaudited)	Fair value reserve US\$'000 (unaudited)	Exchange fluctuation reserve US\$'000 (unaudited)	Reserve funds US\$'000 (unaudited)	Retained profits US\$'000 (unaudited)	Total US\$'000 (unaudited)		Non- controlling interests US\$'000 (unaudited)
At 1 January 2019	-	-	-	-	-	-	-	-	-	107,994	107,994	819	1,045,639
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	108,730
Other comprehensive income/loss for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of debt investments at fair value through other comprehensive income, net of income tax	-	-	-	-	-	917	-	-	-	-	-	-	917
Cash flow hedges, net of income tax	-	-	-	-	-	(2,271)	-	-	-	-	-	-	(2,271)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(10)	-	-	-	-	79	69
Share of other comprehensive income/loss of: Joint ventures	-	-	-	-	-	-	58	-	-	-	-	-	58
Associates	-	-	-	-	-	-	(16)	-	-	-	-	-	(16)
Total comprehensive income/loss for the period	-	-	-	-	-	(2,271)	32	-	-	107,994	106,642	888	107,540
Capital reduction of a subsidiary attributable to a non-controlling equity holder	-	-	-	-	-	-	-	-	-	-	-	(688)	(688)
Issue of shares upon exercise of share options under the pre-FCO share option scheme	16	1,208	-	(63)	-	-	-	-	-	-	1,176	-	1,176
Issue of shares upon exercise of share options under the post-FCO share option scheme	16	8	-	(81)	-	-	-	-	-	-	305	-	305
Repurchase of shares	-	-	-	(5,659)	-	-	-	-	-	-	(5,659)	-	(5,659)
Share award expense	-	-	-	2,447	-	-	-	-	-	-	2,447	-	2,447
Transfer to reserve funds	-	-	-	-	22	-	-	259	-	(261)	-	-	-
Dividend declared to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,505)	-
Final 2018 dividend paid	-	-	-	-	-	-	-	-	-	(88,499)	-	-	(88,499)
At 30 June 2019	34,482	385,722*	(15,591)*	11,384*	(7,580)*	(10,225)*	(220)*	(4,464)*	5,468*	644,900*	1,033,444	7,482	1,060,336

* These reserve accounts comprise the consolidated reserves of US\$1,019,012,000 (unaudited) (31 December 2018: US\$1,002,639,000) in the condensed consolidated statement of financial position as at 30 June 2019.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Six months ended 30 June 2018

Note	Attributable to Shareholders of the Company												
	Issued capital US\$'000 (audited)	Share premium account US\$'000 (audited)	Share under share award scheme account US\$'000 (audited)	Share-based compensation reserve US\$'000 (audited)	Capital and other reserves US\$'000 (audited)	Hedging reserve US\$'000 (audited)	Fair value reserve US\$'000 (audited)	Exchange fluctuation reserve US\$'000 (audited)	Reserve funds US\$'000 (audited)	Retained profits US\$'000 (audited)	Total US\$'000 (audited)	Non- controlling interests US\$'000 (audited)	Total equity US\$'000 (audited)
At 1 January 2018													
Paid for the period	-	-	-	-	-	-	-	-	-	91,010	91,010	805	91815
Other comprehensive income/loss for the period:													
Changes in fair value of debt investments at fair value through other comprehensive income, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedges, net of income tax	-	-	-	-	-	-	(2,115)	-	-	-	(2,115)	-	(2,115)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	8,045	-	-	(2,387)	-	(2,387)
Share of other comprehensive income of:													
Joint ventures	-	-	-	-	-	-	-	630	-	-	630	-	630
Associates	-	-	-	-	-	-	-	167	-	-	167	-	167
Total comprehensive income/loss for the period	-	-	-	-	-	(2,387)	(2,115)	(2,228)	-	91,010	84,280	637	84,917
Capital contribution by a subsidiary from a non-controlling equity holder	-	-	-	-	-	-	-	-	-	-	-	135	135
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	161	161
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	813	813
Issue of shares upon exercise of share options under the pre-PO share option scheme	16	57	2,223	(116)	-	-	-	-	-	-	2,164	-	2,164
Issue of shares upon exercise of share options under the post-PO share option scheme	16	14	700	(172)	-	-	-	-	-	-	572	-	572
Issue of shares under a share award scheme	-	84	6,329	(6,613)	-	-	-	-	-	-	1,137	-	1,137
Share award expenses	-	-	-	1,137	-	-	-	-	-	-	-	-	-
Transfer of share-based compensation reserve upon forfeiture or expiry of share options	-	-	-	(11)	-	-	-	-	-	11	-	-	-
Transfer to reserve funds	-	-	-	-	-	-	-	-	215	(215)	-	-	-
Dividend declared to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,541)	(1,541)
Final 2017 dividend paid	-	-	-	-	-	-	-	-	-	(67,379)	(67,379)	-	(67,379)
At 30 June 2018	34,203	392,965	(10,272)	7,203	(7,623)	(6,719)	(1,552)	(63)	4,994	570,448	963,739	8,185	961,924

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	155,267	110,339
Interest income received	6,582	5,980
Interest paid	(4,461)	(5,047)
Hong Kong profits tax paid	-	(94)
Overseas tax paid	(4,715)	(4,457)
Net cash flows from operating activities	152,673	106,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contribution of a subsidiary from/(reduction of capital of a subsidiary attributable to) a non-controlling equity holder	(568)	195
Purchases of items of property, plant and equipment	(3,277)	(13,734)
Proceeds from disposal of items of property, plant and equipment	47	2,447
Advance payments for acquisition of vessels	(45,856)	(25,212)
Investment in a joint venture	-	(779)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	5,026
Proceeds from investment income of principal-protected investment deposit at fair value through profit or loss	423	457
Net disposal of principal-protected investment deposits	12,894	4,095
Net cash flows from acquisition of a subsidiary	-	1,244
Net cash flows from acquisition of additional interest in a joint venture	-	455
Increase in non-pledged time deposits with original maturity of over three months but less than one year when acquired	(524,719)	(30,992)
Decrease in non-pledged time deposits with original maturity of over three months but less than one year when acquired	227,452	-
Withholding tax paid on dividends received	(55)	-
Dividends received from joint ventures	3,773	1,144
Other cash flows from investing activities, net	7	505
Net cash flows used in investing activities	(329,879)	(55,149)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares pursuant to exercise of share options	1,481	2,736
Repurchase of shares	(5,659)	-
New bank borrowings	209,002	-
Repayment of bank borrowings	(101,648)	(91,749)
Payment of lease liabilities	(14,862)	-
Dividends paid	(88,499)	(101,839)
Dividends paid to non-controlling equity holders of subsidiaries	(1,505)	(1,541)
Net cash flows used in financing activities	(1,690)	(192,393)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(178,896)	(140,821)
Cash and cash equivalents at beginning of period	277,036	293,654
Effect of foreign exchange rate changes, net	296	1,722
CASH AND CASH EQUIVALENTS AT END OF PERIOD	98,436	154,555
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	46,786	68,829
Non-pledged time deposits	452,583	328,749
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	499,369	397,578
Less: Non-pledged time deposits with original maturity of over three months when acquired	(400,933)	(243,023)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	98,436	154,555

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

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 2018.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective as of 1 January 2019:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial information. The nature and impact of the new and revised HKFRSs are described below:

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits as at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

New definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, offices, containers and vessels. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on the straight-line basis over the lease term.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019.

In addition, provision for reinstatement costs as at 1 January 2019 was recognised based on the present value of the expected costs to restore leased assets to their original states, discounting using the incremental borrowing rate as at 1 January 2019.

The right-of-use assets were measured at the sum amount of the lease liabilities and provision for reinstatement costs, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position and upfront payments for US\$17,664,000 that were reclassified from prepaid land lease payments. This includes the lease assets recognised previously under a finance lease of US\$5,275,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 as at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	US\$'000 (Unaudited)
Assets	
Decrease in property, plant and equipment	(5,275)
Increase in right-of-use assets	134,342
Decrease in prepaid land lease payments	(17,664)
Decrease in prepayments, deposits and other receivables	(208)
	<hr/>
Increase in total assets	111,195
	<hr/>
Liabilities	
Increase in lease liabilities	109,672
Increase in provision for reinstatement costs	1,523
	<hr/>
Increase in total liabilities	111,195
	<hr/>

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, reinstatement costs expected to incur and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on the a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease offices and containers for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts and the movements of the Group's right-of-use assets, lease liabilities during the period are as follow:

	Right-of-use assets					Lease	Provision for
	Land	Offices	Containers	Vessels	Total	liabilities	reinstatement
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	costs
							US\$'000
At 1 January 2019	42,261	3,921	82,885	5,275	134,342	109,672	1,523
Additions	61	407	26,838	-	27,306	26,900	406
Depreciation charge	(1,406)	(970)	(14,296)	(267)	(16,939)	-	-
Interest expense	-	-	-	-	-	2,438	36
Payments	-	-	-	-	-	(14,862)	-
At 30 June 2019	40,916	3,358	95,427	5,008	144,709	124,148	1,965

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's condensed consolidated interim financial information.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group’s condensed consolidated interim financial information.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

2. OPERATING SEGMENT INFORMATION (continued)

Basis of segment information

	Container shipping and logistics		Dry bulk and others		Total	
	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2018 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2018 US\$'000 (Unaudited)	Six months ended 30 June 2019 US\$'000 (Unaudited)	Six months ended 30 June 2018 US\$'000 (Unaudited)
Segment revenue:						
Sales to external customers	733,123	681,336	12,958	11,418	746,081	692,754
Segment results	108,591	89,077	4,442	3,620	113,033	92,697
<i>Reconciliation:</i>						
Bank interest income					6,318	6,154
Interest income of debt investments at fair value through other comprehensive income					264	457
Investment income of principal- protected investments deposits at fair value through profit or loss					423	154
Fair value gains of equity investments – designated as such upon initial recognition					-	1,473
Finance costs					(6,936)	(4,937)
Profit before tax					113,102	95,998

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

2. OPERATING SEGMENT INFORMATION (continued)

Basis of segment information (continued)

	Container shipping and logistics		Dry bulk and others		Total	
	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
Segment assets	704,879	977,788	148,868	153,224	853,747	1,131,012
<i>Reconciliation:</i>						
Corporate and other unallocated assets					949,323	420,879
Total assets					1,803,070	1,551,891
Segment liabilities	304,133	176,491	3,723	4,005	307,856	180,496
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					434,278	325,696
Total liabilities					742,134	506,192

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

3. REVENUE

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

	Six months ended 30 June	
	2019	2018
Container shipping and supporting logistics income	668,369	624,081
Other container logistic income*	64,754	57,255
Time charter income	12,219	10,650
Other rental income	739	768
	746,081	692,754

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

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

3. REVENUE (continued)

Notes:

(a) Disaggregated revenue information

Six months ended 30 June 2019

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

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

3. REVENUE (continued)

Notes: (continued)

(a) Disaggregated revenue information (continued)

Six months ended 30 June 2019 (continued)

	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Timing of revenue recognition			
Services transferred over time	668,369	–	668,369
Services transferred at a point in time	64,754	–	64,754
Total revenue from contracts with customers	733,123	–	733,123
Dry bulk vessel chartering service and other business	–	12,958	12,958
Total revenue	733,123	12,958	746,081

The amount includes freight forwarding income, shipping agency income and depot and warehousing income.

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

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

3. REVENUE (continued)

Notes: (continued)

(a) Disaggregated revenue information (continued)

Six months ended 30 June 2018

	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Type of services			
Container shipping and supporting logistics income	624,081	–	624,081
Other container logistics income#	57,255	–	57,255
Total revenue from contracts with customers	681,336	–	681,336
Dry bulk vessel chartering service and other business	–	11,418	11,418
Total revenue	681,336	11,418	692,754
Geographical markets based on location of customers			
Greater China*	283,934	–	286,934
Japan	170,967	–	170,967
Southeast Asia	140,237	–	140,237
Others	86,198	–	86,198
Total revenue from contracts with customers	681,336	–	681,336
Dry bulk vessel chartering service and other business	–	11,418	11,418
Total revenue	681,336	11,418	692,754

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

3. REVENUE (continued)

Notes: (continued)

(a) Disaggregated revenue information (continued)

Six months ended 30 June 2018 (continued)

	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Timing of revenue recognition			
Services transferred over time	624,081	–	624,081
Services transferred at a point in time	57,255	–	57,255
<hr/>			
Total revenue from contracts with customers	681,336	–	681,336
Dry bulk vessel chartering service and other business	–	11,418	11,418
<hr/>			
Total revenue	681,336	11,418	692,754

The amount includes freight forwarding income, shipping agency income and depot and warehousing income.

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

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

3. REVENUE (continued)

Notes: (continued)

(b) Performance obligations

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

Container shipping and supporting logistic income

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

Other container logistic income

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

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

4. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Other income		
Bank interest income	6,318	6,154
Interest income of debt investments at fair value through other comprehensive income	264	457
Investment income of principal- protected investments at fair value through profit or loss	423	154
Government subsidies*	996	1,134
Others	94	996
	8,095	8,895
Gains		
Gain on disposal of items of property, plant and equipment, net	124	3,504
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	360	455
Equity investments at fair value through profit or loss – designated as such upon initial recognition	–	1,473
Foreign exchange differences, net	3,055	1,079
	3,539	6,511
Other income and gains, net	11,634	15,406

* The amount represented subsidies received from certain governmental authorities in Mainland China for the Group's operation of marine and logistics businesses. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Cost of services provided:		
Cost of bunkers consumed	100,367	88,074
Others	502,806	486,602
	603,173	574,676
Depreciation of property, plant and equipment	32,845	29,300
Less: Included in cost of services provided	(30,811)	(27,323)
	2,034	1,977
Depreciation of right-of-use assets	16,939	–
Less: Included in cost of services provided	(15,969)	–
	970	–
Amortisation of prepaid land lease payments	–	247
Fair value losses of cash flow hedges (transfer from equity), net*	779	876
Reversal of impairment of trade receivable, net*	(2)	–

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

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

6. FINANCE COSTS

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Interest on bank borrowings	4,461	4,937
Interest on lease liabilities	2,438	–
Increase in discounted amounts of provision for reinstatement costs arising from the passage of time	37	–
Total finance costs	6,936	4,937

7. INCOME TAX

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Current:		
Mainland China	444	420
Hong Kong	318	342
Elsewhere	3,557	3,421
Total tax expense for the period	4,319	4,183

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

7. INCOME TAX (continued)

The share of income tax expense attributable to joint ventures and associates for the six months ended 30 June 2019 amounting to US\$1,046,000 (six months ended 30 June 2018: US\$1,362,000) are included in “Share of profits and losses of joint ventures and associates” in the condensed consolidated statement of profit or loss and other comprehensive income.

8. INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on 23 August 2019, the Board resolved to declare an interim dividend of HK18 cents (equivalent to US2.30 cents) (six months ended 30 June 2018: HK15 cents) per share, totaling US\$ 61,441,000 (six months ended 30 June 2018: US\$50,920,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

The calculation of the diluted 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 used in the calculation is the total of (i) the weighted average number of ordinary shares in issue during the period as used in the basic earnings per share calculation; (ii) the weighted average 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 Company’s the share award scheme.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

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

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

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	107,964	91,010

	Number of shares for the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period less weighted average number of ordinary shares held in share award scheme during the period, used in the basic earnings per share calculation	2,652,743,357	2,653,340,144
Effect of dilution – weighted average number of ordinary shares:		
Share options	7,442,298	11,443,004
Shares held under the share award scheme	16,543,428	–
Weighted average number of ordinary shares during the period, used in the diluted earnings per share calculation	2,676,729,083	2,664,783,148

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment at a total cost of US\$49,003,000 (six months ended 30 June 2018: US\$60,724,000) and disposed of items of property, plant and equipment with an aggregate carrying amount of US\$485,000 (six months ended 30 June 2018: US\$6,072,000).

11. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These are listed debt investments and measured at fair value. They were classified as financial assets at fair value through other comprehensive income as their contractual cash flows are solely payments of principal and interest.

12. TRADE RECEIVABLES

	Notes	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
Trade receivables	(a)	70,858	66,164
Impairment	(b)	(254)	(287)
		70,604	65,877

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 major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

12. TRADE RECEIVABLES (continued)

Notes: (continued)

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

	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
Within 1 month	60,437	55,990
1 to 2 months	7,693	7,436
2 to 3 months	1,354	1,374
Over 3 months	1,120	1,077
	70,604	65,877

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
At beginning of period/year	287	405
Impairment loss, net	(2)	244
Amount written off as uncollectible	(31)	(362)
At end of period/year	254	287

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

12. TRADE RECEIVABLES (continued)

Notes: (continued)

(b) (continued)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses rate of 0.108% 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

	Ageing analysis			Total US\$'000
	Within 3 months US\$'000	3 months to 1 year US\$'000	Over 1 year US\$'000	
Category				
(a) External customers with good credit	62,431	945	171	63,547
(b) External customers with credit deterioration	–	54	134	188
(c) Related parties	7,123	–	–	7,123
Gross trade receivables	69,554	999	305	70,858
Less: Expected credit losses	(70)	(50)	(134)	(254)
Net trade receivables	69,484	949	171	70,604

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

12. TRADE RECEIVABLES (continued)

Notes: (continued)

- (c) Included in the Group's trade receivables are amounts due from the Group's joint ventures, associates and companies controlled by Mr. Yang Shaopang, the controlling shareholder (the "**Controlling Shareholder**") of the Group, of US\$6,533,000 (31 December 2018: US\$7,740,000), US\$4,300 (31 December 2018: US\$230,000) and US\$586,000 (31 December 2018: Nil), respectively. All of the above amounts are repayable on credit terms similar to those offered to the major customers of the Group.

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

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

14. TRADE PAYABLES

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

	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000 (Audited)
Within 1 month	104,145	100,218
1 to 2 months	20,706	26,881
2 to 3 months	3,836	4,263
Over 3 months	8,016	7,405
	136,703	138,767

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

14. TRADE PAYABLES (continued)

Included in the Group's trade payables as at 30 June 2019 are amounts of US\$3,955,000 (31 December 2018: US\$7,185,000), and US\$10,111,000 (31 December 2018: US\$5,896,000), and US\$ nil (31 December 2018: US\$591,000) due to joint ventures, associates and companies controlled by the Controlling Shareholders, respectively, which are prepayable 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.

15. OTHER PAYABLES AND ACCRUALS

Included in the balance as at 30 June 2019 comprise contract liabilities which represent the advance payments received from the customers for the container shipping service, amounting to US\$8,923,000 (31 December 2018: US\$24,600,000), which will be recognised as revenue as the performance obligation is satisfied.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

16. SHARE CAPITAL

	30 June 2019		31 December 2018	
	HK\$'000 (Unaudited)	US\$'000 equivalent (Unaudited)	HK\$'000 (Audited)	US\$'000 equivalent (Audited)
Authorised:				
5,000,000,000 ordinary shares of HK\$0.1 each	500,000		500,000	
Issued and fully paid:				
2,670,817,360 (31 December 2018: 2,667,784,000) ordinary shares of HK\$0.1 each	267,082	34,432	266,778	34,393

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

	Number of issued and fully paid ordinary shares (Unaudited)	Issued share capital	
		HK\$'000 (Unaudited)	US\$'000 equivalent (Unaudited)
At 1 January 2019	2,667,784,360	266,778	34,393
Issue of new shares upon exercise of share options (note)	3,033,000	304	39
At 30 June 2019	2,670,817,360	267,082	34,432

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

16. SHARE CAPITAL (continued)

Note: The subscription rights attaching to 2,428,000 share options issued under the pre-IPO share option scheme were exercised at subscription price of HK\$3.824 per share, resulting in the issue of 2,428,000 share of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$9,285,000 (equivalent to approximately US\$1,183,000). An amount of US\$63,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

The subscription rights attaching to 130,000 and 475,000 share options issued under the post-IPO share option schemes were exercised at the subscription price of HK\$1.968 and HK\$4.378 per share respectively, resulting in the issue of 605,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$2,335,390 (equivalent to approximately US\$297,550). An amount of US\$91,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

17. CAPITAL COMMITMENTS

At 30 June 2019, the Group had capital commitments of US\$206,215,900 (31 December 2018: US\$249,516,000) in total, which are contracted but not provided for, in respect of acquisition of vessels.

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Companies controlled by the Controlling Shareholder:		
Container marine transportation services income	9,717	11,659
Container vessels rental expenses	300	–
Freight forwarding services expense for marine transportation	5	303
Shipping agency expenses	837	971
Vessel rental expenses	2,935	2,195
Joint ventures:		
Container marine transportation services income	81,750	86,195
Freight forwarding services income for marine transportation	1,082	524
Warehousing expenses	542	212
Land and building rental income	832	850
Shipping agency expenses	2,328	2,470
Freight forwarding services expenses	2,229	2,055
Technology outsourcing services income	263	255
Container Maintaining income	309	–
Associates:		
Container marine transportation services income	80,190	67,926
Shipping agency expenses	1,132	933
Freight forwarding services expenses	119	10

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 Information

30 June 2019

18. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Short-term employee benefits	4,195	4,470
Post-employment benefits	15	47
Share-based compensation expense	313	158
Total compensation paid to key management	4,523	4,675

(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.

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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:

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

- (a) The fair values of listed debt investments at fair value are based on quoted market prices.

- (b) The Group enters principal-protected investment deposits with creditworthy banks, and their fair values are determined with reference to market observable inputs currently available for investments with similar terms and credit risk. The carrying amounts of principal-protected investment deposits are the same as their fair values.

- (c) 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 Information

30 June 2019

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

Fair value hierarchy

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

Assets measured at fair value

At 30 June 2019

	Fair value measurement using			Total US\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) US\$'000 (Unaudited)	Significant observable inputs (Level 2) US\$'000 (Unaudited)	Significant unobservable inputs (Level 3) US\$'000 (Unaudited)	
Debt investments at fair value through other comprehensive income	10,348	-	-	10,348
Derivative financial instruments	-	254	-	254
Principal-protected investment deposits at fair value through profit or loss	-	3,771	-	3,771
	10,348	4,025	-	14,373

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

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

Assets measured at fair value (continued)

At 31 December 2018

	Fair value measurement using			Total US\$'000 (Audited)
	Quoted prices in active markets (Level 1) US\$'000 (Audited)	Significant observable inputs (Level 2) US\$'000 (Audited)	Significant unobservable inputs (Level 3) US\$'000 (Audited)	
Debt investments at fair value through other comprehensive income	9,430	–	–	9,430
Derivative financial instruments	–	260	–	260
Principal-protected investment deposits at fair value through profit or loss	–	16,665	–	16,665
	9,430	16,925	–	26,355

Notes to the Condensed Consolidated Interim Financial Information

30 June 2019

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

Liabilities measured at fair value

At 30 June 2019

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

At 31 December 2018

	Fair value measurement using			Total US\$'000 (Audited)
	Quoted prices in active markets (Level 1) US\$'000 (Audited)	Significant observable inputs (Level 2) US\$'000 (Audited)	Significant unobservable inputs (Level 3) US\$'000 (Audited)	
Derivatives financial instruments	–	18	–	–

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

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 (six months ended 30 June 2018: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation and disclosures.

21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorised for issue by the board of directors on 23 August 2019.