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SITC International Holdings Company Limited

海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1308)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Financial Highlights

- Revenue for the six months ended 30 June 2018 was approximately US\$692.8 million, increased by approximately 7.3% as compared to approximately US\$645.6 million for the corresponding period in 2017.
- Gross profit for the six months ended 30 June 2018 increased by approximately 3.9% from approximately US\$113.7 million for the six months ended 30 June 2017 to approximately US\$118.1 million. The gross profit margin was approximately 17.0% and 17.6% for the six months ended 30 June 2018 and 2017, respectively.
- Profit for the six months ended 30 June 2018 increased by approximately 7.0% to approximately US\$91.8 million from approximately US\$85.8 million for the corresponding period in 2017.
- Basic earnings per share for the six months ended 30 June 2018 amounted to US3.43 cents (30 June 2017: US3.24 cents).
- An interim dividend of HK15 cents per share (equivalent to US1.91 cents per share) was declared for the six months ended 30 June 2018.

The board (the “**Board**”) of directors (the “**Directors**”) of SITC International Holdings Company Limited (“**SITC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017 as below.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended 30 June	
		2018	2017
		<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Unaudited)
REVENUE		692,754	645,553
Cost of sales		<u>(574,676)</u>	<u>(531,838)</u>
Gross profit		118,078	113,715
Other income and gains, net	3	15,406	8,524
Administrative expenses		(36,854)	(33,701)
Other expenses and losses		(898)	(279)
Finance costs	5	(4,937)	(4,176)
Share of profits and losses of:			
Joint ventures		5,025	5,079
Associates		<u>178</u>	<u>352</u>
PROFIT BEFORE TAX	4	95,998	89,514
Income tax	6	<u>(4,183)</u>	<u>(3,680)</u>
PROFIT FOR THE PERIOD		<u>91,815</u>	<u>85,834</u>

	For the six months ended 30 June	
	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX		
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	(3,263)	(8,672)
Reclassification adjustments for losses included in consolidated profit or loss	876	270
	(2,387)	(8,402)
Changes in financial assets at fair value through other comprehensive income (recycling)	(2,115)	154
Exchange differences on translation of foreign operations	(3,213)	2,148
Share of other comprehensive income of joint ventures	650	657
Share of other comprehensive income of associates	167	280
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(6,898)	(5,163)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	(6,898)	(5,163)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	84,917	80,671

		For the six months ended 30 June	
	<i>Note</i>	2018	2017
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Shareholders of the Company		91,010	85,078
Non-controlling interests		<u>805</u>	<u>756</u>
		<u>91,815</u>	<u>85,834</u>
Total comprehensive income for the period attributable to:			
Shareholders of the Company		84,280	79,702
Non-controlling interests		<u>637</u>	<u>969</u>
		<u>84,917</u>	<u>80,671</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic (US cents per share)		<u>3.43</u>	<u>3.24</u>
Diluted (US cents per share)		<u>3.42</u>	<u>3.23</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2018 <i>US\$'000</i> (Unaudited)	31 December 2017 <i>US\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		876,113	891,787
Prepaid land lease payments		18,115	18,656
Advance payments for acquisition of vessels and trademarks		38,384	13,172
Goodwill		1,070	1,088
Investments in joint ventures		36,897	32,743
Investments in associates		9,811	9,800
Non-current financial assets		22,368	26,983
		<hr/>	<hr/>
Total non-current assets		1,002,758	994,229
		<hr/>	<hr/>
CURRENT ASSETS			
Bunkers		21,943	17,723
Trade receivables	9	63,489	64,065
Prepayments, deposits and other receivables		18,626	13,513
Due from related companies		1,214	1,126
Other current financial assets		7,302	12,023
Cash and bank balances		397,578	505,684
		<hr/>	<hr/>
Total current assets		510,152	614,134
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	10	140,600	131,812
Other payables and accruals		50,435	53,555
Due to related companies		365	164
Other current financial liabilities		—	709
Bank borrowings		55,145	117,407
Dividend payables		1	33,964
Income tax payables		950	1,298
		<hr/>	<hr/>
Total current liabilities		247,496	338,909
		<hr/>	<hr/>
NET CURRENT ASSETS		262,656	275,225
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,265,414	1,269,454
		<hr/>	<hr/>

	30 June 2018	31 December 2017
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Bank borrowings	<u>273,434</u>	<u>298,016</u>
Net assets	<u>991,980</u>	<u>971,438</u>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	34,368	34,213
Reserves	<u>949,427</u>	<u>929,305</u>
	983,795	963,518
Non-controlling interests	<u>8,185</u>	<u>7,920</u>
Total equity	<u>991,980</u>	<u>971,438</u>

NOTES

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit and risk management committee of the Company. They do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2017.

Changes in accounting policies and disclosures

In the accounting period from 1 January 2018, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that affect the Group and are adopted for the first time for the current period’s financial statements:

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
HK (IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the interim financial information.

The nature and the impact of the changes are described below:

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss or amortised cost. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- Financial assets at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under HKAS 39, the Group's quoted debt instruments were classified as available-for-sale ("**AFS**") financial assets.
- Financial assets at fair value through profit or loss include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

(i) *Impairment*

HKFRS 9 requires an impairment on trades receivables, contract assets, other receivables and amounts due from joint ventures and associates that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded twelve-month expected losses on its other receivables and amounts due from joint venture and associates. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

The Group's principal activities which are in the scope of HKFRS 15 consist of the provision of container shipping services, freight forwarding services, shipping agency services, and depot and warehousing services, etc. After assessment, the current accounting policy adopted under HKAS 18 for recognition of container shipping revenue based on the percentage of completion is an appropriate method under HKFRS 15. In respect of other services, given the short period of time to complete the services, the Group continues to recognise revenue from other services when the services have been rendered upon adoption of HKFRS 15. Accordingly, there is no significant impact on the Group's financial position and financial performance upon adoption of HKFRS 15.

1.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a potential impact on its results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

Change in reportable segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make key operating decisions.

CODM reviews operating activities on a number of bases, including by types of freight transportation methods, types of revenue generating assets and so on. As disclosed in the Group’s financial statements for the year ended 31 December 2017, in prior years, management considered the reportable segments to be the types of freight transportation methods, namely sea based and land based, over time the focus of internal management reporting provided to the CODM has moved towards by types of revenue generating assets. The shift in the focus of internal reporting was further augmented in recent years to include financial information and metrics on the consumption of, and returns on, capital by types of core revenue generating assets in using the Group’s resources. As a result, the two reporting segments (i.e., defined by types of revenue generating assets), namely (i) container shipping and logistics assets; and (ii) dry bulk and other services related assets, are now the most prominent view used by CODM to allocate resources and assess performance. Consequently, management believes that the change in reportable segments would give out a more reliable and objective presentation of the segment information. Accordingly, the presentation of segment information for the period ended 30 June 2017 has been restated to reflect this change of segment composition.

Basis of segment information

The Group restated its business segments from “sea freight logistics” and “land-based logistics” into two new reportable operating segments as follows:

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

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

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.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

Six months ended 30 June 2018

	Container shipping and logistics US\$'000 (Unaudited)	Dry bulk and others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	<u>681,336</u>	<u>11,418</u>	<u>692,754</u>
Segment results	<u>89,077</u>	<u>3,620</u>	<u>92,697</u>
<i>Reconciliation:</i>			
Bank interest income			5,364
Investment income of financial assets at fair value through profit or loss			944
Interest income of financial assets at fair value through other comprehensive income			457
Gain on disposal of a financial asset at fair value through profit or loss			1,473
Finance costs			<u>(4,937)</u>
Profit before tax			<u>95,998</u>
As at 30 June 2018			
Segment assets	<u>914,268</u>	<u>150,875</u>	1,065,143
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>447,767</u>
Total assets			<u>1,512,910</u>
Segment liabilities	<u>177,318</u>	<u>3,929</u>	181,247
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>339,683</u>
Total liabilities			<u>520,930</u>

Six months ended 30 June 2017

	Container shipping and logistics US\$'000 (Unaudited) (Restated)	Dry bulk and others US\$'000 (Unaudited) (Restated)	Total US\$'000 (Unaudited) (Restated)
Segment revenue:			
Sales to external customers	<u>638,068</u>	<u>7,485</u>	<u>645,553</u>

Segment results	<u>89,177</u>	<u>343</u>	89,520
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Reconciliation:

Bank interest income			3,395
Interest income of financial assets at fair value through profit or loss			330
Interest income of financial assets at fair value through other comprehensive income			279
Gain on disposal of financial assets at fair value through other comprehensive income			166
Finance costs			<u>(4,176)</u>
Profit before tax			<u>89,514</u>

	Container shipping and logistics US\$'000	Dry bulk and others US\$'000	Total US\$'000
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As at 31 December 2017

Segment assets	<u>885,692</u>	<u>154,202</u>	1,039,894
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Reconciliation:

Corporate and other unallocated assets			<u>568,469</u>
Total assets			<u>1,608,363</u>

Segment liabilities	<u>170,680</u>	<u>4,553</u>	175,233
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Reconciliation:

Corporate and other unallocated liabilities			<u>461,692</u>
Total liabilities			<u>636,925</u>

3. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	5,364	3,395
Investment income of financial assets at fair value through profit or loss	944	330
Interest income of financial assets at fair value through other comprehensive income	457	279
Government subsidies*	1,134	498
Others	996	9
	<u>8,895</u>	<u>4,511</u>
Gains		
Gain on disposal of items of property, plant and equipment, net	3,504	830
Gains on disposal of financial assets at fair value through profit or loss	1,473	166
Fair value gains of derivative instruments not qualifying as hedges, net	127	778
Realised gain on settlement of derivative financial instruments	328	1,347
Foreign exchange gains, net	1,079	892
	<u>6,511</u>	<u>4,013</u>
Other income and gains, net	<u>15,406</u>	<u>8,524</u>

* 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.

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of services provided:		
Cost of bunkers consumed	88,074	72,765
Depreciation	27,323	25,601
Others	459,279	433,472
	574,676	531,838
Depreciation	29,300	27,465
Less: Included in cost of services provided	(27,323)	(25,601)
	1,977	1,864
Recognition of prepaid land lease payments	247	228
Fair value losses on cash flow hedges (transfer from equity), net*	876	270

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

5. FINANCE COSTS

Finance costs are interest on bank loans.

6. INCOME TAX

	For the six months ended 30 June	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current:		
Mainland China	420	829
Hong Kong	342	295
Elsewhere	3,421	2,556
	<hr/>	<hr/>
Total tax expense for the period	<u>4,183</u>	<u>3,680</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 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.

The share of income tax expense attributable to joint ventures and associates for the six months ended 30 June 2018 amounting to US\$1,362,000 (six months ended 30 June 2017: US\$1,396,000) and nil (six months ended 30 June 2017: tax credit of US\$38,000) are included in “Share of profits and losses of joint ventures and associates” in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on 17 August 2018, the Board resolved to declare an interim dividend of HK15 cents (equivalent to US1.91 cents) (six months ended 30 June 2017: HK10 cents) per share, totaling US\$ 50,920,000 (six months ended 30 June 2017: US\$33,815,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

	For the six months ended 30 June	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	91,010	85,078
	2,653,340,144	2,624,372,762
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation		
Effect of dilution of share options –		
weighted average number of ordinary shares	11,443,004	10,612,329
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	2,664,783,148	2,634,985,091

9. TRADE RECEIVABLES

	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Trade receivables	63,809	64,414
Impairment	(320)	(349)
	<u>63,489</u>	<u>64,065</u>

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.

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 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Within 1 month	52,802	55,630
1 to 2 months	7,806	6,248
2 to 3 months	1,518	1,273
Over 3 months	1,363	914
	<u>63,489</u>	<u>64,065</u>

Included in the Group's trade receivables are amounts due from the Group's joint ventures, associates and companies controlled by the Mr. Yang Shaopeng, the controlling shareholder ("the **Controlling Shareholder**") of the Group of US\$8,085,000 (31 December 2017: US\$6,971,000), US\$10,000 (31 December 2017: US\$6,000) and Nil (31 December 2017: US\$258,000), respectively. All of the above amounts are repayable on credit terms similar to those offered to the major customers of the Group.

10. 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 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Within 1 month	108,807	101,644
1 to 2 months	21,587	18,949
2 to 3 months	3,965	2,288
Over 3 months	6,241	8,931
	140,600	131,812

Included in the Group's trade payables are amounts due to the Group's joint ventures and associates of US\$3,830,000 (31 December 2017: US\$7,131,000), and US\$3,261,000 (31 December 2017: US\$990,000) respectively.

The above balances are repayable within 30 days, on credit terms similar to those offered by major suppliers of the Group.

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

11. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the change in the focus of internal management reporting, the presentation of segment information in the financial statements have been revised. Accordingly, certain comparative amounts have been reclassified and restated to conform to the current period's segment presentation.

Furthermore, the Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, certain comparative amounts have been reclassified. Further details of the change in accounting policies are disclosed in note 1.2.

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 2018, 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 2018, the Group operated 66 trade lanes, including 9 trade lanes through joint services and 28 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 68 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 2018, the Group operated a fleet of 77 vessels with a total capacity of 108,367 TEU, comprised of 48 self-owned (63,072 TEU) and 29 chartered vessels (45,295 TEU), with an average age of 9.9 years. 50 of these 77 vessels were of the 1,000 TEU type. For the six months ended 30 June 2018, US\$25.2 million out of US\$39.7 million of paid out capital expenditure was attributable to vessel purchases. In addition, the Group also operated (including through joint ventures) approximately 1,120,000 m² of depot and 86,000 m² of warehousing space.

Revenue generated by the Group's container shipping and logistics business for the first half of 2018 increased by approximately 6.8% from US\$638.1 million for the six months ended 30 June 2017 to US\$681.3 million for the corresponding period in 2018. The increase was a combined effect, from container shipping and supporting logistics business, where (i) the average freight rate (excluding slot exchange fee income) increased by approximately 8.9% from US\$480.3/TEU for the six months ended 30 June 2017 to US\$522.9/TEU for the corresponding period in 2018; and (ii) the container shipping volume decreased by approximately 1.9% from 1,166,845 TEUs for the six months ended 30 June 2017 to 1,144,871 TEUs for the corresponding period in 2018.

(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 2018, the Group has 6 dry bulk vessels with a total tonnage of 438,595 tons and an average age of 5.6 years.

Revenue generated by the Group's dry bulk and others business for the first half of 2018 increased by approximately 52.0% from approximately US\$7.5 million for the six months ended 30 June 2017 to approximately US\$11.4 million. The increase was primarily attributable to the increase in 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. At the same time, the Company will continue to optimize the Group's fleet structure by capturing vessel price dynamics, so as to keep pace with the development of the business and secure a long-term cost-competitive position. With the continuous enhancement on the Group's organization process, information technology systems and operational efficiency, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

Financial Overview

	For the six months ended 30 June					
	2018	2017	2018	2017	2018	2017
	Container shipping and logistics		Dry bulk and others		Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	681,336	638,068	11,418	7,485	692,754	645,553
Cost of sales	<u>(567,001)</u>	<u>(524,619)</u>	<u>(7,675)</u>	<u>(7,219)</u>	<u>(574,676)</u>	<u>(531,838)</u>
Gross profit	114,335	113,449	3,743	266	118,078	113,715
Other income and gains (excluding bank interest income and other investment income)	7,167	4,325	95	106	7,262	4,431
Administrative expenses	(36,772)	(33,579)	(82)	(122)	(36,854)	(33,701)
Other expenses and losses	(989)	(356)	(3)	–	(992)	(356)
Share of profits and losses of:						
Joint ventures	5,158	4,986	(133)	93	5,025	5,079
Associates	<u>178</u>	<u>352</u>	<u>–</u>	<u>–</u>	<u>178</u>	<u>352</u>
Segment results	89,077	89,177	3,620	343	92,697	89,520
Finance costs					(4,937)	(4,176)
Bank interest and other investment income					<u>8,238</u>	<u>4,170</u>
Profit before tax					95,998	89,514
Income tax					<u>(4,183)</u>	<u>(3,680)</u>
Profit for the period					<u>91,815</u>	<u>85,834</u>
Profit attributable to:						
Shareholders of the Company					91,010	85,078
Non-controlling interests					<u>805</u>	<u>756</u>
					<u>91,815</u>	<u>85,834</u>

Revenue

The Group's total revenue increased by approximately 7.3% from approximately US\$645.6 million for the six months ended 30 June 2017 to approximately US\$692.8 million for the corresponding period in 2018. The increase was primarily attributable to the increase from container shipping and supporting logistics business in average freight rate.

Cost of Sales

The Group's cost of sales increased by approximately 8.1% from approximately US\$531.8 million for the six months ended 30 June 2017 to approximately US\$574.7 million for the corresponding period in 2018. 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 Group's gross profit increased from approximately US\$113.7 million for the six months ended 30 June 2017 to approximately US\$118.1 million for the six months ended 30 June 2018. The Group's gross profit margin was approximately 17.0% and 17.6% for the six months ended 30 June 2018 and 2017, respectively.

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

For the six months ended 30 June 2018, other income and gains (excluding bank interest income and other investment income) increased by approximately US\$2.9 million from approximately US\$4.4 million for the six months ended 30 June 2017 to approximately US\$7.3 million for the corresponding period in 2018. The increase was primarily attributable to a year on year increase of approximately US\$2.7 million for gains on disposal of fixed assets, including containers and others.

Bank Interest Income and Other Investment Income

The Group's bank interest income and other investment income was approximately US\$8.2 million and US\$4.2 million for the six months ended 30 June 2018 and 2017, respectively. The increase was mainly attributable to the increase in both average amount available for investment and average return generated during the six months ended 30 June 2018.

Administrative Expenses

The Group's administrative expenses increased from approximately US\$33.7 million for the six months ended 30 June 2017 to approximately US\$36.9 million for the corresponding period in 2018, representing an increase of approximately 9.5%. The increase was primarily attributable to the overall increase in staff cost.

Other Expenses and Losses

The Group's other expenses and losses was approximately US\$1.0 million and US\$0.4 million for the six months ended 30 June 2018 and 2017, respectively. The increase was mainly attributable to a year on year increase of approximately US\$0.6 million in the hedging losses arising from realization of Japanese Yen.

Finance Costs

The Group's finance costs increased from approximately US\$4.2 million for the six months ended 30 June 2017 to approximately US\$4.9 million for the corresponding period in 2018. The increase was mainly attributable to the increase in average bank borrowing interest rate.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was approximately US\$5.0 million and US\$5.1 million for the six months ended 30 June 2018 and 2017, respectively. There was no material fluctuation in the amount.

Share of Profits of Associates

The Group's share of profits of associates was approximately US\$0.2 million and US\$0.4 million for the six months ended 30 June 2018 and 2017, respectively. There was no material change in the amount.

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased from approximately US\$89.5 million for the six months ended 30 June 2017 to approximately US\$96.0 million for the corresponding period in 2018.

Income Tax Expenses

The Group's income tax expense was approximately US\$4.2 million and US\$3.7 million for the six months ended 30 June 2018 and 2017, respectively. The increase was primarily attributable to the increase in taxable profit of the Group.

Profit for the Period

The Group's profit for the six months ended 30 June 2018 was approximately US\$91.8 million, representing an increase of approximately US\$6.0 million over the profit of approximately US\$85.8 million for the corresponding period in 2017.

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:

	For the six months ended 30 June			
	2018		2017	
	Amount	% of	Amount	% of
	(US\$'000)	segment	(US\$'000)	segment
		revenue		revenue
Income Statement Data:				
Segment revenue	681,336	100%	638,068	100%
Container shipping and supporting logistics income	624,081	91.6%	586,116	91.9%
Other container logistics income	57,255	8.4%	51,952	8.1%
Cost of Sales	(567,001)	(83.2%)	(524,619)	(82.2%)
Equipment and cargos transportation costs	(320,837)	(47.1%)	(306,443)	(48.0%)
Voyage costs	(118,211)	(17.3%)	(103,360)	(16.2%)
Container shipping vessels cost	(79,124)	(11.6%)	(71,802)	(11.3%)
Other container logistics costs	(48,829)	(7.2%)	(43,014)	(6.7%)
Gross Profit	114,335	16.8%	113,449	17.8%
Other income and gains (excluding bank interest income and other investment income)	7,167	1.1%	4,325	0.7%
Administrative expenses	(36,772)	(5.4%)	(33,579)	(5.3%)
Other expenses and losses	(989)	(0.2%)	(356)	(0.1%)
Share of profits of:				
Joint ventures	5,158	0.7%	4,986	0.8%
Associates	178	0.1%	352	0.1%
Segment results	89,077	13.1%	89,177	14.0%

Segment results

The following table sets forth the number of trade lanes and port calls per week as of 30 June 2018 and 2017, and the average freight rate for the periods indicated:

Six months ended 30 June		As of 30 June			
2018	2017	2018	2017	2018	2017
<i>Average freight rate</i>		<i>Number of trade lanes</i>		<i>Port calls per week</i>	
<i>(US\$ per TEU, excluding slot exchange fee rate)</i>					
522.9	480.3	66	59	403	363

Revenue

Revenue of the Group's container shipping and logistics business increased by approximately 6.8% from approximately US\$638.1 million for the six months ended 30 June 2017 to approximately US\$681.3 million for the six months ended 30 June 2018. The increase was a combined effect, from container shipping and supporting logistics business, where (i) the average freight rate (excluding slot exchange fee income) increased by approximately 8.9% from US\$480.3/TEU for the six months ended 30 June 2017 to US\$522.9/TEU for the corresponding period in 2018; and (ii) the container shipping volume decreased by approximately 1.9% from 1,166,845 TEUs for the six months ended 30 June 2017 to 1,144,871 TEUs for the corresponding period in 2018.

Cost of Sales

The cost of sales of the Group's container shipping and logistics business increased by approximately 8.1% from approximately US\$524.6 million for the six months ended 30 June 2017 to approximately US\$567.0 million for the corresponding period in 2018. Such 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 Group recorded gross profit of approximately US\$114.3 million for its container shipping and logistics business for the six months ended 30 June 2018, representing an increase of approximately US\$0.9 million as compared to approximately US\$113.4 million for the corresponding period in 2017. The gross profit margin of the Group's container shipping and logistics business was approximately 16.8% and 17.8% for the six months ended 30 June 2018 and 2017, respectively.

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

For the six months ended 30 June 2018, other income and gains (excluding bank interest income and other investment income) increased to approximately US\$7.2 million for the six months ended 30 June 2018 from approximately US\$4.3 million for the corresponding period in 2017. The increase was primarily attributable to a year on year increase of approximately US\$2.7 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\$33.6 million for the six months ended 30 June 2017 to approximately US\$36.8 million in the corresponding period of 2018. The change in the amount was mainly attributable to the overall increase in staff cost.

Other Expenses and Losses

Other expenses and losses increased from approximately US\$0.4 million for the six months ended 30 June 2017 to approximately US\$1.0 million for the corresponding period in 2018. It was mainly attributable to a year on year increase of approximately US\$0.6 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\$5.2 million and US\$5.0 million for the six months ended 30 June 2018 and 2017, respectively. There was no material fluctuation in the amount.

Share of Profits of Associates

The Group's container shipping and logistics business's share of profits of associates was approximately US\$0.2 million and US\$0.4 million for the six months ended 30 June 2018 and 2017, respectively. There was no material change in the amount.

Segment Results

As a result of the foregoing, the segment results of the Group's container shipping and logistics business was approximately US\$89.1 million and US\$89.2 million for the six months ended 30 June 2018 and 2017, respectively.

Dry Bulk and Others

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

	For the six months ended 30 June			
	2018		2017	
	Amount	% of	Amount	% of
	(US\$'000)	segment revenue	(US\$'000)	segment revenue
Income Statement Data:				
Segment revenue	11,418	100%	7,485	100%
Dry bulk business	10,650	93.3%	6,847	91.5%
Other businesses	768	6.7%	638	8.5%
Cost of Sales	(7,675)	(67.2%)	(7,219)	(96.4%)
Dry bulk business	(7,296)	(63.9%)	(6,868)	(91.8%)
Other businesses	(379)	(3.3%)	(351)	(4.6%)
Gross Profit	3,743	32.8%	266	3.6%
Other income and gains (excluding bank interest income and investment income)	95	0.9%	106	1.4%
Administrative expenses	(82)	(0.7%)	(122)	(1.6%)
Other expenses and losses	(3)	(0.1%)	—	—%
Share of profit and losses of:				
Joint ventures	(133)	(1.2%)	93	1.2%
Segment results	<u>3,620</u>	<u>31.7%</u>	<u>343</u>	<u>4.6%</u>

Revenue

The revenue of the Group's dry bulk and others business increased by approximately 52.0% from approximately US\$7.5 million for the six months ended 30 June 2017 to approximately US\$11.4 million for the corresponding period in 2018. This increase was mainly attributable to the following:

- *Dry bulk business.* Revenue of the Group's dry bulk business increased by approximately 57.4% from approximately US\$6.8 million for the six months ended 30 June 2017 to approximately US\$10.7 million for the corresponding period in 2018. This primarily reflected the increase in average daily charter hire of dry bulk vessels.

- *Other businesses.* Revenue of the Group's other businesses was approximately US\$0.8 million and US\$0.6 million for the six months ended 30 June 2018 and 2017, respectively. There was no material change in the amount.

Cost of Sales

The cost of sales of the Group's dry bulk and others business was approximately US\$7.7 million and US\$7.2 million for the six months ended 30 June 2018 and 2017 respectively, of which:

- *Dry bulk business.* Cost of sales of dry bulk business was approximately US\$7.3 million and US\$6.9 million for the six months ended 30 June 2018 and 2017 respectively. There was no material change 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 2018 and 2017. There was no change in the amount.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's dry bulk and others business increased by approximately US\$3.4 million from approximately US\$0.3 million for the six months ended 30 June 2017 to approximately US\$3.7 million for the corresponding period in year 2018. The gross profit margin of the Group's dry bulk and others business increased from approximately 3.6% for the six months ended 30 June 2017 to approximately 32.8% for the corresponding period in 2018.

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

Other income and gains (excluding bank interest income and other investment income) of the Group's dry bulk and others business was approximately US\$0.1 million for both the six months ended 30 June 2017 and 2018. There was no change in the amount.

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 2018 and 2017. There was no change in the amount.

Share of Profits and Losses of Joint Ventures

The Group's dry bulk and others business's share of profits of joint ventures translated from a profit of approximately US\$0.1 million for the six months ended 30 June 2017 to a loss of approximately US\$0.1 million for the corresponding period in 2018, which was mainly due to the operating loss of a joint controlled air-freight forwarding enterprise.

Segment Results

As a result of the foregoing, the segment results of the Group's dry bulk and others business increased by approximately US\$3.3 million from approximately US\$0.3 million for the six months ended 30 June 2017 to approximately US\$3.6 million for the corresponding period in 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group decreased by approximately 5.9% from approximately US\$1,608.4 million as at 31 December 2017 to approximately US\$1,512.9 million as at 30 June 2018. As at 30 June 2018, the Group had cash and cash equivalents amounting to approximately US\$397.6 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group decreased by approximately 18.2% from approximately US\$636.9 million as at 31 December 2017 to approximately US\$520.9 million as at 30 June 2018. At 30 June 2018, the Group had secured interest-bearing bank loans of approximately US\$328.6 million. The maturity profile is spread over a period, with approximately US\$55.1 million repayable within one year or on demand, approximately US\$51.6 million within the second year, approximately US\$135.1 million within third to fifth years and approximately US\$86.8 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 2018, the Group hedged approximately 21.6% (31 December 2017: 23.0%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2018, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 2.1 compared to that of 1.8 as at 31 December 2017. The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. Net debt includes interest-bearing bank borrowings, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 11% and 9% as at 30 June 2018 and 31 December 2017, respectively.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2018, 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\$577.6 million (31 December 2017: US\$605.7 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2018, the Group had an aggregate of 1,388 full-time employees (30 June 2017: 1,188). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$43.7 million (30 June 2017: US\$41.1 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group has in place a pre-IPO share option scheme, post-IPO share option scheme and adopted a share award scheme on 13 September 2017. Further information of those share option schemes and the share award scheme will be available in the interim report of the Company.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2018, the Group exercised two options for construction of two container vessels and entered into shipbuilding contracts to construct of two container vessels. For further details, please refer to the announcement of the Company dated 26 January 2018 and 26 June 2018.

Save as otherwise, the Group did not have any other material investments during the six months ended 30 June 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2018, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on 17 August 2018 (Friday), the Board has resolved to declare an interim dividend of HK15 cents (equivalent to US1.91 cents) (six months ended 30 June 2017: HK10 cents) per share for the six months ended 30 June 2018 to shareholders whose name appear on the register of members of the Company at the close of business on 31 August 2018 (Friday). The dividend is expected to be paid on 14 September 2018 (Friday).

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 September 2018 (Monday) to 5 September 2018 (Wednesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with properly completed transfer forms must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31 August 2018 (Friday).

OTHER INFORMATION

Purchase, Sale and Redemption of Shares

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

Corporate Governance

The Company is committed to maintaining 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 2018, 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.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules (the “**Appendix 10**”) 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 as set out in Appendix 10. 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 2018.

Audit and Risk Management Committee

The audit and risk management committee of the Company (the “**Audit and Risk Management Committee**”) comprises of three independent non-executive Directors of the Company. The members currently are Dr. Lo Wing Yan, William, Dr. Ngai Wai Fung and Mr. Tsui Yung Kwok, being the Chairman of the Audit Committee. The Audit and Risk Management 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 2018.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of The Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.sitc.com>). The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the aforesaid websites in due course.

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

Hong Kong, 17 August 2018

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