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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 2015

Financial Highlights

- Revenue for the six months ended 30 June 2015 was approximately US\$651.2 million, decreased slightly by approximately 1.0% as compared to approximately US\$657.6 million for the corresponding period in 2014.
- Gross profit for the six months ended 30 June 2015 increased by approximately 14.9% from approximately US\$81.6 million for the six months ended 30 June 2014 to approximately US\$93.8 million which translated to an increase in gross profit margin to approximately 14.4% for the six months ended 30 June 2015 from approximately 12.4% for the six months ended 30 June 2014.
- Profit for the six months ended 30 June 2015 increased by approximately 27.3% to approximately US\$71.3 million from approximately US\$56.0 million for the corresponding period in 2014.
- Basic earnings per share for the six months ended 30 June 2015 amounted to US 2.73 cents (30 June 2014: US 2.16 cents).

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 2015, together with the comparative figures for the corresponding period in 2014 as below.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
	<i>Notes</i>	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
REVENUE		651,186	657,621
Cost of sales		<u>(557,383)</u>	<u>(576,001)</u>
Gross profit		93,803	81,620
Other income and gains	3	14,798	10,903
Administrative expenses		(35,489)	(31,886)
Other expenses and losses		(696)	(2,825)
Finance costs	5	(4,212)	(4,879)
Share of profits and losses of:			
Joint ventures		4,822	4,598
Associates		<u>406</u>	<u>292</u>
PROFIT BEFORE TAX	4	73,432	57,823
Income tax	6	<u>(2,109)</u>	<u>(1,783)</u>
PROFIT FOR THE PERIOD		<u><u>71,323</u></u>	<u><u>56,040</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Continued)**

**For the six months
ended 30 June**
2015 2014
US\$'000 US\$'000
(Unaudited) (Unaudited)

**OTHER COMPREHENSIVE INCOME/(LOSS), NET OF
INCOME TAX**

Other comprehensive income/(loss) to be reclassified to
profit or loss in subsequent periods:

Available-for-sale investments:

Changes in fair value	827	(205)
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Cash flow hedges:

Effective portion of changes in fair value of hedging instruments arising during the period	2,987	(5,078)
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Reclassification adjustments for gains included in profit or loss	(1,761)	(2,160)
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	1,226	(7,238)
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Exchange differences on translation of foreign
operations

	295	(681)
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Share of other comprehensive loss of joint ventures

	(60)	(577)
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Share of other comprehensive loss of associates

	(4)	(251)
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Net other comprehensive income/(loss) to be
reclassified to profit or loss in subsequent periods

	2,284	(8,952)
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**OTHER COMPREHENSIVE INCOME/(LOSS) FOR
THE PERIOD, NET OF INCOME TAX**

	2,284	(8,952)
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**TOTAL COMPREHENSIVE INCOME FOR THE
PERIOD**

	73,607	47,088
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Continued)**

	For the six months ended 30 June	
<i>Note</i>	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to:		
Shareholders of the Company	70,941	55,775
Non-controlling interests	<u>382</u>	<u>265</u>
	<u><u>71,323</u></u>	<u><u>56,040</u></u>
Total comprehensive income attributable to:		
Shareholders of the Company	73,238	46,833
Non-controlling interests	<u>369</u>	<u>255</u>
	<u><u>73,607</u></u>	<u><u>47,088</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8	
Basic (US cents per share)	<u>2.73</u>	<u>2.16</u>
Diluted (US cents per share)	<u><u>2.71</u></u>	<u><u>2.15</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2015 <i>US\$'000</i> <i>(Unaudited)</i>	31 December 2014 <i>US\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		743,892	668,825
Prepaid land lease payments		20,841	21,104
Advance payments for acquisition of property, plant and equipment		50,810	37,985
Goodwill		1,142	1,142
Investments in joint ventures		27,660	29,807
Investments in associates		11,206	10,812
Available-for-sale investments		4,398	3,571
Derivative financial instruments		<u>173</u>	<u>282</u>
Total non-current assets		<u>860,122</u>	<u>773,528</u>
CURRENT ASSETS			
Bunkers		15,959	16,996
Trade receivables	9	72,262	66,633
Prepayments, deposits and other receivables		43,859	43,753
Due from related companies		416	247
Held-to-maturity investments		60,097	57,127
Derivative financial instruments		745	3,314
Cash and cash equivalents		<u>315,176</u>	<u>428,247</u>
Total current assets		<u>508,514</u>	<u>616,317</u>
CURRENT LIABILITIES			
Trade payables	10	148,396	141,294
Other payables and accruals		40,007	42,621
Due to related companies		107	3,409
Derivative financial instruments		100	170
Interest-bearing bank borrowings		46,716	131,152
Income tax payables		<u>1,135</u>	<u>2,612</u>
Total current liabilities		<u>236,461</u>	<u>321,258</u>
NET CURRENT ASSETS		<u>272,053</u>	<u>295,059</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,132,175</u>	<u>1,068,587</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

	30 June 2015 <i>US\$'000</i> <i>(Unaudited)</i>	31 December 2014 <i>US\$'000</i> <i>(Audited)</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,132,175</u>	<u>1,068,587</u>
NON-CURRENT LIABILITIES		
Derivative financial instruments	487	579
Interest-bearing bank borrowings	<u>290,961</u>	<u>270,814</u>
Total non-current liabilities	<u>291,448</u>	<u>271,393</u>
Net assets	<u><u>840,727</u></u>	<u><u>797,194</u></u>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	33,666	33,378
Reserves	<u>800,822</u>	<u>757,555</u>
	834,488	790,933
Non-controlling interests	<u>6,239</u>	<u>6,261</u>
Total equity	<u><u>840,727</u></u>	<u><u>797,194</u></u>

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These condensed consolidated interim financial statements are presented in the United States Dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in accounting policies and disclosures

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

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

2. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment liabilities exclude interest-bearing bank borrowings, income tax payable 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.

Segment results for the six months ended 30 June 2015

	Sea freight logistics US\$'000 (Unaudited)	Land-based logistics US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	294,959	356,227	651,186
Intersegment sales	<u>209,228</u>	<u>15,329</u>	<u>224,557</u>
	<u>504,187</u>	<u>371,556</u>	875,743
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(224,557)</u>
Revenue			<u>651,186</u>
Segment results	<u>30,670</u>	<u>39,078</u>	69,748
<i>Reconciliation:</i>			
Bank interest income			6,489
Interest income on held-to-maturity investments			1,407
Finance costs			<u>(4,212)</u>
Profit before tax			<u>73,432</u>
Segment assets and liabilities as at 30 June 2015			
Segment assets	<u>808,018</u>	<u>234,512</u>	1,042,530
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(90,080)
Corporate and other unallocated assets			<u>416,186</u>
Total assets			<u>1,368,636</u>
Segment liabilities	<u>131,382</u>	<u>123,910</u>	255,292
<i>Reconciliation:</i>			
Elimination of intersegment payables			(90,080)
Corporate and other unallocated liabilities			<u>362,697</u>
Total liabilities			<u>527,909</u>

Segment results for the six months ended 30 June 2014

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

Segment assets and liabilities as at 31 December 2014

	Sea freight logistics US\$'000 (Audited)	Land-based logistics US\$'000 (Audited)	Total US\$'000 (Audited)
Segment assets	<u>697,906</u>	<u>327,134</u>	1,025,040
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(163,129)
Corporate and other unallocated assets			<u>527,934</u>
Total assets			<u>1,389,845</u>
Segment liabilities	<u>121,772</u>	<u>220,660</u>	342,432
<i>Reconciliation:</i>			
Elimination of intersegment payables			(163,129)
Corporate and other unallocated liabilities			<u>413,348</u>
Total liabilities			<u>592,651</u>

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Other income		
Bank interest income	6,489	7,803
Interest income on held-to-maturity investments	1,407	137
Government subsidies*	3,282	141
Others	<u>159</u>	<u>—</u>
	<u>11,337</u>	<u>8,081</u>
Gains		
Gain on disposal of items of property, plant and equipment, net	119	8
Fair value gains of derivative instruments — transactions not qualifying as hedges, net	1,581	—
Fair value gains of cash flow hedges (transfer from equity), net	1,761	2,160
Gain on bargain purchase of a subsidiary	<u>—</u>	<u>654</u>
	<u>3,461</u>	<u>2,822</u>
	<u>14,798</u>	<u>10,903</u>

* The amount represented subsidies received from relevant governmental authorities in Mainland China for the Group's operation of container lines and logistics business. 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	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Costs of services provided:		
Cost of bunkers consumed	80,510	116,850
Others	<u>365,694</u>	<u>362,324</u>
	<u>446,204</u>	<u>479,174</u>
Depreciation	19,028	17,005
Recognition of prepaid land lease payments	252	157
Foreign exchange differences, net	646*	1,461*
Fair value losses/(gains) on derivative instruments for transactions not qualifying as hedges, net	<u>(1,581)</u>	<u>1,303*</u>

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

5. FINANCE COSTS

Finance costs for the period are interest on bank loans.

6. INCOME TAX

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current:		
Mainland China	1,167	1,320
Hong Kong	700	438
Elsewhere	<u>242</u>	<u>25</u>
Total tax charge for the period	<u>2,109</u>	<u>1,783</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 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 attributable to joint ventures and associates for the six months ended 30 June 2015 amounting to US\$1,563,000 and tax credit of US\$12,000 (six months ended 30 June 2014: the share of income tax attributable to joint ventures and associates amounting to US\$1,392,000 and US\$2,000) are included in “Share of profits and losses of joint ventures” and “Share of profits and losses of associates”, respectively, in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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 of 2,599,895,724 (six months ended 30 June 2014: 2,585,730,448) in issue during the period.

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

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

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Earnings</u>		
Profit attributable to shareholders of the Company,		
used in the basic and diluted earnings per share calculation	<u>70,941</u>	<u>55,775</u>

Number of shares
For the six months
ended 30 June
2015 **2014**
(Unaudited) *(Unaudited)*

Shares

Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,599,895,724	2,585,730,448
Effect of dilution - weighted average number of ordinary shares:		
Share options	<u>14,878,610</u>	<u>4,168,852</u>
 Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	 <u>2,614,774,334</u>	 <u>2,589,899,300</u>

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period 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 aged analysis of the trade receivables as at the end of reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2015 <i>US\$'000</i> <i>(Unaudited)</i>	31 December 2014 <i>US\$'000</i> <i>(Audited)</i>
Within 1 month	59,481	55,839
1 to 2 months	8,636	8,523
2 to 3 months	2,937	1,849
Over 3 months	<u>1,208</u>	<u>422</u>
	<u>72,262</u>	<u>66,633</u>

Included in the Group's trade receivables are amounts due from the Group's joint ventures and associates of US\$14,838,000 (31 December 2014: US\$10,140,000) and US\$10,000 (31 December 2014: US\$2,278,000), 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 aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	101,069	114,352
1 to 2 months	28,158	16,031
2 to 3 months	9,250	6,484
Over 3 months	<u>9,919</u>	<u>4,427</u>
	<u>148,396</u>	<u>141,294</u>

Included in the Group's trade payables are amounts due to the companies controlled by Mr. Yang Shaopeng, the controlling shareholder of the Company's ultimate holding company (the "Controlling Shareholder"), the Group's joint ventures and the Group's associates of US\$504,000 (31 December 2014: US\$467,000), US\$2,486,000 (31 December 2014: US\$2,270,000) and US\$1,250,000 (31 December 2014: Nil), respectively, which are repayable within 30 days, on credit terms similar to those offered by major suppliers of the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Business Review

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

During the six months ended 30 June 2015, the Group's sea freight logistics business continued to provide container shipping services that focus exclusively on the intra-Asia market as the Company believes that the intra-Asia trade market will continue to experience healthy growth. As of 30 June 2015, the Group operated 60 trade lanes, including 12 trade lanes through joint services and 22 trade lanes through container slot exchange arrangements. These trade lanes covered 53 major ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 30 June 2015, the Group operated a fleet of 70 vessels with a total capacity of 86,076 TEU, comprised of 35 self-owned (39,335 TEU) and 35 chartered vessels (46,741 TEU), with an average age of 8.6 years. 50 of these 70 vessels were of the 1,000 TEU type. For the six months ended 30 June 2015, US\$88.2 million out of US\$116.9 million of paid out capital expenditure was attributable to vessel purchases. Revenue generated by the Group's sea freight logistics business before inter-segment elimination for the first half of 2015 increased slightly by approximately 0.3% from US\$502.6 million for the six months ended 30 June 2014 to US\$504.2 million for the corresponding period in 2015. The increase was mainly attributable to the increase in the shipping volume from 993,989 TEU for the six months ended 30 June 2014 to 1,059,535 TEU for the corresponding period in 2015.

The land-based logistics business is another key component of the Group's business model, which comprised freight forwarding, shipping agency, terminal, depot and warehousing, trucking and ship brokerage businesses. As of 30 June 2015, the Group's freight forwarding network covered 38 major cities, including the PRC, Japan, Korea, Vietnam, Hong Kong, Singapore, Philippines and Cambodia, while the Group's shipping agency network covered 52 major ports and cities, including the PRC, Japan, Korea, HongKong, Vietnam, Thailand, the Philippines, Singapore, Cambodia and Indonesia. The Group also operated (including through joint ventures) approximately 950,348 m² of depot and 97,724 m² of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination for the first half of 2015 decreased by approximately 1.9% from US\$378.8 million for the six months ended 30 June 2014 to US\$371.6 million for the

corresponding period in 2015. The decrease was primarily attributable to the decrease in the average freight forwarding rate, which offset the growth in the freight forward volume from 766,232 TEU for the six months ended 30 June 2014 to 784,416 TEU for the corresponding period in 2015.

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 expand the Group's fleet by capturing vessel price dynamics, so as to keep pace with the development of the business and secure a long-term competitive cost position. Through the above measures and together with the continuous enhancement on the Group's information technology systems, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

Financial Overview

	For the six months ended 30 June							
	2015		2014		2015		2014	
	Sea freight logistics	Land-based logistics	Inter-segment sales	Total				
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	504,187	502,619	371,556	378,753	(224,557)	(223,751)	651,186	657,621
Cost of sales	(469,975)	(472,339)	(311,965)	(327,413)	224,557	223,751	(557,383)	(576,001)
Gross profit	34,212	30,280	59,591	51,340			93,803	81,620
Other income and gains (excluding bank interest income and other investment income)	5,934	1,259	968	1,704			6,902	2,963
Administrative expenses	(8,801)	(7,387)	(26,688)	(24,499)			(35,489)	(31,886)
Share of profits of :								
Joint ventures	—	—	4,822	4,598			4,822	4,598
Associates	—	—	406	292			406	292
Other expenses and losses	(675)	(2,780)	(21)	(45)			(696)	(2,825)
Segment results	30,670	21,372	39,078	33,390			69,748	54,762
Finance costs							(4,212)	(4,879)
Bank interest income and other investment income							7,896	7,940
Profit before tax							73,432	57,823
Income tax							(2,109)	(1,783)
Profit for the period							<u>71,323</u>	<u>56,040</u>
Profit attributable to:								
Shareholders of the Company							70,941	55,775
Non-controlling interests							382	265
							<u>71,323</u>	<u>56,040</u>

Revenue

The Group's total revenue after inter-segment elimination decreased slightly by approximately 1% from approximately US\$657.6 million for the six months ended 30 June 2014 to approximately US\$651.2 million for the corresponding period in 2015. The decrease was primarily attributable to the decrease in container shipping freight rate and freight forwarding rate in both of the sea freight logistics and land-based logistics businesses.

Cost of Sales

The Group's cost of sales after inter-segment elimination decreased by approximately 3.2% from approximately US\$576.0 million for the six months ended 30 June 2014 to approximately US\$557.4 million for the corresponding period in 2015. The decrease was primarily attributable to the significant decrease in bunker cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased from approximately US\$81.6 million for the six months ended 30 June 2014 to approximately US\$93.8 for the six months ended 30 June 2015. The Group's gross profit margin increased from approximately 12.4% for the six months ended 30 June 2014 to approximately 14.4% for the corresponding period in 2015.

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

For the six months ended 30 June 2015, other income and gains (excluding bank interest income and other investment income) increased by approximately US\$3.9 million from approximately US\$3.0 million for the six months ended 30 June 2014 to US\$6.9 million for the corresponding period in 2015. The increase was mainly attributable to (i) increase in the government subsidies of US\$3.1 million; and (ii) increase in the realised hedging gain of the Japanese Yen borrowing from US\$2.2 million for the six months ended 30 June 2014 to US\$3.3 million for the corresponding period in 2015.

Bank Interest Income and Other Investment Income

The Group's bank interest income and other investment income was approximately US\$7.9 million for the six months ended 30 June 2014 and 2015. There was no material changes in the amount.

Administrative Expenses

The Group's administrative expenses increased from approximately US\$31.9 million for the six months ended 30 June 2014 to approximately US\$35.5 million for the corresponding period in 2015, representing an increase of approximately 11.3%. The increase was primarily attributable to the overall increase in staff cost.

Other Expenses and Losses

The Group's other expenses and losses were US\$0.7 million and US\$2.8 million for the six months ended 30 June 2015 and 2014, respectively. The decrease was mainly attributable to (i) fair value loss on derivative instruments turned from a loss of US\$1.3 million in 2014 to a gain of US\$1.6 million in 2015; and (ii) US\$0.8 million decrease in the foreign exchange translation loss.

Finance Costs

The Group's finance costs decreased from US\$4.9 million for the six months ended 30 June 2014 to US\$4.2 million for the six months ended 30 June 2015. The decrease was mainly attributable to the decrease in both average bank borrowing balance and borrowing interest rate.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by approximately 4.9% from approximately US\$4.6 million for the six months ended 30 June 2014 to approximately US\$4.8 million in for the six months ended 30 June 2015. The increase was mainly attributable to the growth in the warehouse and depot business.

Share of Profits of Associates

The Group's share of profits of associates was approximately US\$0.3 million and US\$0.4 million for the six months ended 30 June 2014 and 2015, 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\$57.8 million for the six months ended 30 June 2014 to approximately US\$73.4 million for the corresponding period in 2015.

Income Tax Expenses

The Group's income tax expense was approximately US\$1.8 million and US\$2.1 million for the six months ended 30 June 2014 and 2015, respectively. The increase was primarily attributable to the increase in our taxable profit.

Profit for the Period

The Group's profit for the six months ended 30 June 2015 was approximately US\$71.3 million, representing an increase of approximately US\$15.3 million over the profit of US\$56.0 million for the corresponding period in 2014.

Sea Freight Logistics

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

	For the six months ended 30 June			
	2015		2014	
	Amount	% of	Amount	% of
	(US\$'000)	segment	(US\$'000)	segment
		revenue		revenue
Income Statement Data:				
Segment revenue	504,187	100.0%	502,619	100.0%
Cost of Sales	(469,975)	(93.2)%	(472,339)	(94.0)%
Equipment and cargos				
transportation costs	(271,284)	(53.8)%	(254,857)	(50.7)%
Voyage costs	(112,843)	(22.4)%	(145,640)	(29.0)%
Container shipping vessels cost	(77,715)	(15.4)%	(64,657)	(12.9)%
Dry bulk vessel costs	(8,133)	(1.6)%	(7,185)	(1.4)%
Gross Profit	34,212	6.8%	30,280	6.0%
Other income and gains				
(excluding bank interest				
income and other investment				
income)	5,934	1.2%	1,259	0.3%
Administrative expenses	(8,801)	(1.7)%	(7,387)	(1.4)%
Other expenses and losses	<u>(675)</u>	<u>(0.1)%</u>	<u>(2,780)</u>	<u>(0.6)%</u>
Segment results	<u>30,670</u>	<u>6.2%</u>	<u>21,372</u>	<u>4.3%</u>

Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination increased by approximately 0.3% from approximately US\$502.6 million for the six months ended 30 June 2014 to approximately US\$504.2 million for the six months ended 30 June 2015. This increase was a combined effect of (i) the increase in container shipping volume from 993,989 TEU for the six months ended 30 June 2014 to 1,059,535 TEU for the corresponding period in 2015; and (ii) decrease in average container shipping freight rate (excluding slot exchange fee income) from US\$472/TEU for the six months ended 30 June 2014 to US\$428/TEU for the corresponding period in 2015.

Cost of Sales

The cost of sales of the Group's sea freight logistics business before inter-segment elimination decrease by approximately 0.5% from approximately US\$472.3 million for the six months ended 30 June 2014 to approximately US\$470.0 million for the corresponding period in 2015. Such decrease was primarily attributable to the decrease in bunker cost.

Gross Profit

As a result of the foregoing, the Group recorded gross profit of approximately US\$34.2 million for its sea freight logistics business for the six months ended 30 June 2015, representing an increase of approximately US\$3.9 million as compared to US\$30.3 million for the corresponding period in 2014.

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

For the six months ended 30 June 2015, the other income and gains (excluding bank interest income and other investment income) increased to approximately US\$5.9 million for the six months ended 30 June 2015 from approximately US\$1.3 million for the corresponding period in 2014. The increase was primarily attributable to (i) increase in the government subsidies of US\$2.5 million; and (ii) increase in the realised gain of Japanese Yen borrowing.

Administrative Expenses

Administrative expenses of the Group's sea freight logistics business increased hedging from approximately US\$7.4 million for the six months ended 30 June 2014 to approximately US\$8.8 million in the corresponding period of 2015. The change in the amount was mainly attributable to the overall increase in staff cost.

Other Expenses and Losses

Other expenses and losses decreased from US\$2.8 million for the six months ended 30 June 2014 to US\$0.7 million for the corresponding period in 2015. It was mainly attributable to (i) fair value loss on derivative instruments turned from a loss of US\$1.3 million in 2014 to a gain in 2015; and (ii) US\$0.7 million decrease in the foreign exchange translation loss.

Segment Results

As a result of the foregoing, the segment results of the Group's sea freight logistics business increased by approximately US\$9.3 million from approximately US\$21.4 million for the six months ended 30 June 2014 to approximately US\$30.7 million in the corresponding period in 2015.

Land-Based Logistics

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

	For six months ended 30 June			
	2015		2014	
	<i>Amount</i>	<i>% of</i>	<i>Amount</i>	<i>% of</i>
	<i>(US\$'000)</i>	<i>segment</i>	<i>(US\$'000)</i>	<i>segment</i>
		<i>revenue</i>		<i>revenue</i>
Income Statement Data:				
Segment revenue	371,556	100.0%	378,753	100.0%
Freight forwarding and shipping agency	351,858	94.7%	364,239	96.2%
Other land-based logistics business	19,698	5.3%	14,514	3.8%
Cost of Sales	(311,965)	(84.0)%	(327,413)	(86.4)%
Freight forwarding and shipping agency	(298,449)	(80.4)%	(316,884)	(83.7)%
Other land-based logistics business	(13,516)	(3.6)%	(10,529)	(2.8)%
Gross Profit	59,591	16.0%	51,340	13.6%
Other income and gains (excluding bank interest income and investment income)	968	0.3%	1,704	0.4%
Administrative expenses	(26,688)	(7.2)%	(24,499)	(6.5)%
Other expenses and losses	(21)	—	(45)	—
Share of profit and losses of:				
Joint ventures	4,822	1.3%	4,598	1.2%
Associates	406	0.1%	292	0.1%
Segment results	<u>39,078</u>	<u>10.5%</u>	<u>33,390</u>	<u>8.8%</u>

Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination decreased by approximately 1.9% from approximately US\$378.8 million for the six months ended 30 June 2014 to approximately US\$371.6 million for the corresponding period in 2015. This decrease was mainly attributable to the following:

- *Freight forwarding and shipping agency.* Revenue of the Group's freight forwarding and shipping agency business decreased by approximately 3.4% from approximately US\$364.2 million for the six months ended 30 June 2014 to approximately US\$351.9 million for the corresponding period in 2015. This primarily reflected the decrease in the average freight forwarding rate from US\$421.7/TEU for the six months ended 30 June 2014 to US\$391.9/TEU for the corresponding period in 2015, which offset the continuous growth in the freight forward volume from 766,232 TEU for the six months ended 30 June 2014 to 784,416 TEU for the corresponding period in 2015.
- *Other land-based logistics businesses.* Revenue of the Group's other land-based logistics business increased by approximately 35.7% from approximately US\$14.5 million for the six months ended 30 June 2014 to approximately US\$19.7 million for the corresponding period in 2015. This increase was primarily attributable to (i) the continuous expansion of third-party logistics business and other land-based logistics business; and (ii) the grow in warehouse and depot businesses as well as the contribution from the warehouse and depot business acquired in 2014.

Cost of Sales

The cost of sales of the Group's land-based logistics business decreased by approximately 4.7% from approximately US\$327.4 million for the six months ended 30 June 2014 to approximately US\$312.0 million for the corresponding period in 2015. The decrease was mainly a combined effect of the following:

- *Freight forwarding and shipping agency.* Cost of sales of freight forwarding and shipping agency business decreased by approximately 5.8% from approximately US\$316.9 million for the six months ended 30 June 2014 to approximately US\$298.4 million for the corresponding period in 2015, primarily reflecting a decrease in the Group's average per unit freight forwarding cost.
- *Other land-based logistics businesses.* Cost of sales of the Group's other land-based logistics business increased by approximately 28.4% from

approximately US\$10.5 million for the six months ended 30 June 2014 to approximately US\$13.5 million for the corresponding period in 2015. This increase primarily reflected the cost increase in connection with the expansion in third party logistics business and the cost for other logistic projects.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's land-based logistics business increased by approximately 16.1% from approximately US\$51.3 million for the six months ended 30 June 2014 to approximately US\$59.6 million for the corresponding period in year 2015. The gross profit margin of the Group's land-based logistics business increased from 13.6% for the six months ended 30 June 2014 to approximately 16.0% for the corresponding period in 2015.

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 land-based business was US\$1.0 million and US\$1.7 million for the six months ended 30 June 2015 and 2014, respectively. The amount for the six months ended 30 June 2015 mainly represented the government subsidies of 0.8 million. The amount for the six months ended 30 June 2014 mainly represented (i) realized gain from derivative; and (ii) a bargain purchase of a subsidiary of logistic business.

Administrative Expenses

Administrative expenses of the Group's land-based logistics business increased by approximately 8.9% from approximately US\$24.5 million for the six months ended 30 June 2014 to approximately US\$26.7 million for the corresponding period in the six months ended 30 June 2015. The increase was primarily attributable to the overall increase in staff cost.

Other Expenses and Losses

Other expenses and losses incurred by the Group's land-based logistics business for the six months ended 30 June 2015 was comparable to the corresponding period for 2014.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by approximately 4.9% from approximately US\$4.6 million for the six months ended 30 June 2014 to approximately US\$4.8 million for the corresponding period in 2015. The increase was mainly attributable to the expansion in warehouse and deopt business.

Share of Profits of Associates

The Group's share of profits of associates was approximately US\$0.3 million and US\$0.4 million for the six months ended 30 June 2014 and 2015, respectively. There was no material fluctuation to the amount.

Segment Results

As a result of the foregoing, the segment results of the Group's land-based logistics business increased by approximately 17.0% from US\$33.4 million for the six months ended 30 June 2014 to approximately US\$39.1 million for the corresponding period in 2015.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group decreased by approximately 1.5% from approximately US\$1,389.8 million as at 31 December 2014 to approximately US\$1,368.6 million as at 30 June 2015. As at 30 June 2015, the Group had cash and cash equivalents amounting to approximately US\$315.2 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group decreased by approximately 10.9% from approximately US\$592.6 million as at 31 December 2014 to approximately US\$527.9 million as at 30 June 2015. At 30 June 2015, the Group had secured interest-bearing bank loans of approximately US\$337.7 million. The maturity profile is spread over a period, with approximately US\$46.7 million repayable within one year or on demand, approximately US\$48.4 million within the second year, approximately US\$129.5 million within third to fifth years and approximately US\$113.1 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 2015, the Group hedged approximately 15.7% (31 December 2014: 16.3%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2015, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 2.2 compared to that of 1.9 as at 31 December 2014. 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 21% and 17% as at 30 June 2015 and 31 December 2014, respectively.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2015, 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\$618.0 million (31 December 2014: US\$590.9 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2015, the Group had an aggregate of 1,309 full-time employees (30 June 2014: 1,292). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$34.7 million (30 June 2014: US\$31.5 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group adopted the pre-IPO share option scheme and post-IPO share option scheme on 10 September 2010. Further information of those share option schemes will be available in the interim report of the Company.

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2015, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2015, 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.

OTHER INFORMATION

Purchase, Sale and Redemption of Shares

During the six months ended 30 June 2015, 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 maintain 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 2015, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set out in the CG Code for the six months ended 30 June 2015.

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 2015.

Review of Accounts

The audit committee of the Company (the "**Audit Committee**") comprises of the three independent non-executive Directors of the Company. 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 2015.

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 2015 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, 24 August 2015

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