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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 2014**

#### **Financial Highlights**

- Revenue for the six months ended 30 June 2014 was approximately US\$657.6 million, increased by approximately 10.7% as compared to approximately US\$593.8 million (restated) for the corresponding period in 2013.
- Gross profit for the six months ended 30 June 2014 increased by 30.8% from approximately US\$62.4 million (restated) for the six months ended 30 June 2013 to approximately US\$81.6 million which translated to an increase in gross profit margin of approximately 12.4% for the six months ended 30 June 2014 from approximately 10.5% for the six months ended 30 June 2013.
- Profit for the six months ended 30 June 2014 increased to approximately US\$56.0 million from approximately US\$51.6 million (restated) for the corresponding period in 2013.
- Basic earnings per share for the six months ended 30 June 2014 amounted to US 2.16 cents (30 June 2013: US 1.98 cents (restated)).

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

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

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>(Restated)</i>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	<u>(205)</u>	<u>—</u>
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(5,078)	3,712
Reclassification adjustments for gains included in profit or loss	<u>(2,160)</u>	<u>(5,715)</u>
	(7,238)	(2,003)
Exchange differences on translation of foreign operations	(681)	(1,482)
Share of other comprehensive income/(loss) of joint ventures	(577)	172
Share of other comprehensive income/(loss) of associates	<u>(251)</u>	<u>68</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(8,952)</u>	<u>(3,245)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX</b>	<u>(8,952)</u>	<u>(3,245)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>47,088</u></u>	<u><u>48,360</u></u>

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

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2014</b>	<b>2013</b>
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>(Restated)</i>
Profit attributable to:			
Owners of the parent		55,775	51,204
Non-controlling interests		<u>265</u>	<u>401</u>
		<u>56,040</u>	<u>51,605</u>
 Total comprehensive income attributable to:			
Owners of the parent		46,833	47,985
Non-controlling interests		<u>255</u>	<u>375</u>
		<u>47,088</u>	<u>48,360</u>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	 <b>9</b>		
Basic (US cents per share)		<u>2.16</u>	<u>1.98</u>
Diluted (US cents per share)		<u>2.15</u>	<u>1.98</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Continued)**

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

## NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). These condensed consolidated interim financial statements are presented in United States Dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

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

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

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

## Restatement of comparative amounts

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

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

## Changes in accounting policies and disclosures

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

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

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



## 2. BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

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

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

Had the business combinations taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six months ended 30 June 2014 would have been US\$657,933,000 and US\$38,597,000, respectively.

### 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

**Segment results for the six months ended 30 June 2014**

	<b>Sea freight logistics</b>	<b>Land-based logistics</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Segment revenue:</b>			
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>
<b>Segment results</b>	<u>21,388</u>	<u>33,374</u>	54,762
<i>Reconciliation:</i>			
Bank interest income			7,803
Other investment income			137
Finance costs			<u>(4,879)</u>
Profit before tax			<u>57,823</u>
<b>Segment assets and liabilities as at 30 June 2014</b>			
<b>Segment assets</b>	<u>644,957</u>	<u>326,522</u>	971,479
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(143,520)
Corporate and other unallocated assets			<u>523,627</u>
Total assets			<u>1,351,586</u>
<b>Segment liabilities</b>	<u>104,049</u>	<u>213,287</u>	317,336
<i>Reconciliation:</i>			
Elimination of intersegment payables			(143,520)
Corporate and other unallocated liabilities			<u>430,931</u>
Total liabilities			<u>604,747</u>

**Segment results for the six months ended 30 June 2013**

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

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

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

#### 4. OTHER INCOME AND GAINS

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

## 5. PROFIT BEFORE TAX

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

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

## 6. FINANCE COSTS

Finance costs for the period are interest on bank loans.

## 7. INCOME TAX

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

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

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

## 8. INTERIM DIVIDEND

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

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,585,730,448 (six months ended 30 June 2013: 2,584,537,293) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the six months ended 30 June 2014 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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



**Number of shares**  
**For the six months**  
**ended 30 June**  
**2014**                      **2013**  
*(Unaudited)*              *(Unaudited)*

Shares

Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,585,730,448	2,584,537,293
Effect of dilution - weighted average number of ordinary shares:		
Share options	<u>4,168,852</u>	<u>2,812,199</u>
 Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	 <u>2,589,899,300</u>	 <u>2,587,349,492</u>

**10. TRADE RECEIVABLES**

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from 15 days to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

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

## 11. TRADE PAYABLES

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

#### *Business Review*

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

During the six months ended 30 June 2014, the Group's sea freight logistics business continued to provide container shipping services that focus exclusively on the intra-Asia market as the Company believes that the intra-Asia trade market will continue to experience healthy growth. As of 30 June 2014, the Group operated 53 trade lanes, including 13 trade lanes through joint services and 17 trade lanes through container slot exchange arrangements. These trade lanes covered major ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia and Indonesia. As of 30 June 2014, the Group operated a fleet of 66 vessels with a total capacity of 74,795 TEU, comprised of 32 self-owned (33,103 TEU) and 34 chartered vessels (41,692 TEU), with an average age of 8.6 years. 52 of these 66

vessels were of the 1,000 TEU type. For the six months ended 30 June 2014, US\$30.6 million out of US\$53.8 million of paid out capital expenditure was attributable to vessel purchases. Revenue generated by the Group's sea freight logistics business before inter-segment elimination for the first half of 2014 increased by approximately 6.7% from US\$471.0 million for the six months ended 30 June 2013 to US\$502.6 million for the corresponding period in 2014. The increase was primarily attributable to the increase in our shipping volume from 945,934 TEU for the six months ended 30 June 2013 to 993,989 TEU for the corresponding period in 2014.

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

With the Group's continuous business expansion, the Company will continue to optimize its unique business model and expand its intra-Asia service network. During the first half of 2014, the Group acquired two companies and completed capital injection to a logistic project accounted to US\$4.4 million and US\$0.1 million respectively to further enhance the land-based logistic business. At the same time, the Company will continue to adjust the ratio of self-owned vessels by capturing vessel price dynamics, so as to keep pace with the development of the business and secure a long-term competitive cost position. Through the above measures and together with the continuous enhancement on the Group's information technology systems, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

## Financial Overview

	For the six months ended 30 June							
	2014	2013	2014	2013	2014	2013	2014	2013
	Sea freight logistics		Land-based logistics		Inter-segment sales		Total	
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
	(restated)		(restated)		(restated)		(restated)	
<b>Revenue</b>	502,619	471,041	378,753	354,559	(223,751)	(231,760)	657,621	593,840
Cost of sales	<u>(472,339)</u>	<u>(452,847)</u>	<u>(327,413)</u>	<u>(310,322)</u>	<u>223,751</u>	<u>231,760</u>	<u>(576,001)</u>	<u>(531,409)</u>
<b>Gross profit</b>	30,280	18,194	51,340	44,237			81,620	62,431
Other income and gains (excluding bank interest income and other investment income)	1,259	10,237	1,704	3,269			2,963	13,506
Administrative expenses	(7,387)	(6,655)	(24,499)	(23,696)			(31,886)	(30,351)
Share of profits and losses of: Joint ventures	—	—	4,598	3,608			4,598	3,608
Associates	—	—	292	253			292	253
Other expenses and losses	<u>(2,780)</u>	<u>(16)</u>	<u>(45)</u>	<u>(5)</u>			<u>(2,825)</u>	<u>(21)</u>
Segment results	21,372	21,760	33,390	27,666			54,762	49,426
Finance costs							(4,879)	(3,545)
Bank interest and other investment income							<u>7,940</u>	<u>6,899</u>
Profit before tax							57,823	52,780
Income tax							<u>(1,783)</u>	<u>(1,175)</u>
<b>Profit for the period</b>							<u><u>56,040</u></u>	<u><u>51,605</u></u>
<b>Profit attributable to:</b>								
Owners of the parents							55,775	51,204
Non-controlling interests							<u>265</u>	<u>401</u>
							<u><u>56,040</u></u>	<u><u>51,605</u></u>

## Revenue

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

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

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

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

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

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

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

### ***Interest income and other investment income***

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

### ***Administrative Expenses***

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

### ***Other Expenses and Losses***

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

### ***Finance Costs***

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

### ***Share of profits of joint ventures***

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

### ***Share of profits of associates***

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

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

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

### ***Income Tax***

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

### ***Profit for the Period***

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

## Sea Freight Logistics

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

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

### Revenue

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

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

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

### ***Gross Profit***

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

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

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

### ***Administrative Expenses***

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

### ***Other Expenses and Losses***

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



## Segment Results

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

### Land-Based Logistics

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

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

## ***Revenue***

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

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

## ***Cost of Sales***

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

- *Freight Forwarding and Shipping Agency.* Cost of sales of freight forwarding and shipping agency business increased by approximately 4.8% from approximately US\$302.3 million for the six months ended 30 June 2013 to approximately US\$316.9 million for the corresponding period in 2014, primarily reflecting the increase in the Group's freight forwarding volume.
- *Other land-based logistics businesses.* Cost of sales of the Group's other land-based logistics business increased by approximately 31.3% from approximately US\$8.0 million for the six months ended 30 June 2013 to approximately US\$10.5 million for the corresponding period in 2014. This increase primarily reflected the cost increase in connection with the expansion in third party logistics business and the cost for other land-based logistics business.

### ***Gross Profit***

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

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

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

### ***Administrative Expenses***

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

### ***Other Expenses and Losses***

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

### ***Share of profits of joint ventures***

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

### ***Share of profits of associates***

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

## ***Segment Results***

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

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

Total assets of the Group increased by approximately 6.5% from approximately US\$1,269.4 million as at 31 December 2013 to approximately US\$1,351.6 million as at 30 June 2014. As at 30 June 2014, the Group had cash and cash equivalents amounting to approximately US\$474.4 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 15.4% from approximately US\$524.1 million as at 31 December 2013 to approximately US\$604.8 million as at 30 June 2014. At 30 June 2014, the Group had secured interest-bearing bank loans of approximately US\$425.9 million. The maturity profile is spread over a period, with approximately US\$129.6 million repayable within one year or on demand, approximately US\$44.5 million within the second year, approximately US\$146.2 million within third to fifth years and approximately US\$105.6 million beyond five years.

Further, the Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As at 30 June 2014, the Group hedged approximately 14% (31 December 2013: 11.7%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2014, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 2.04 compared to that of 2.21 as at 31 December 2013. The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. Net debt includes interest-bearing bank borrowings, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 15% and 11% as at 30 June 2014 and 31 December 2013, respectively.

## **CONTINGENT LIABILITIES**

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

## **CHARGE ON ASSETS**

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

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2014, the Group had an aggregate of 1,292 full-time employees (30 June 2013: 1,237). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$31.5 million (30 June 2013: US\$28.2 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group adopted the pre-IPO share option scheme and post-IPO share option scheme on 10 September 2010. Further information of those share option schemes will be available in the interim report of the Company.

## **SIGNIFICANT INVESTMENTS**

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the six months ended 30 June 2014, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

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

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

## **OTHER INFORMATION**

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

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### **Corporate Governance**

The Company is committed to maintain a stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the six months ended 30 June 2014, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules and there has been no deviation from the code provisions for the six months ended 30 June 2014.

### **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 2014.

### **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 2014.

## **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 2014 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, 28 August 2014

*As at the date of this announcement, the executive Directors 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 are Mr. Tsui Yung Kwok, Mr. Yeung Kwok On, Dr. Lo Wing Yan, William and Dr. Ngai Wai Fung.*