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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 2016

Financial Highlights

- Revenue for the six months ended 30 June 2016 was approximately US\$602.4 million, decreased by approximately 7.5% as compared to approximately US\$651.2 million for the corresponding period in 2015.
- Gross profit for the six months ended 30 June 2016 increased by approximately 8.8% from approximately US\$93.8 million for the six months ended 30 June 2015 to approximately US\$102.1 million which translated to an increase in gross profit margin to approximately 16.9% for the six months ended 30 June 2016 from approximately 14.4% for the six months ended 30 June 2015.
- Profit for the six months ended for both 30 June 2016 and 2015 were approximately US\$71.3 million. There was no material change in the amount.
- Basic earnings per share for the six months ended 30 June 2016 amounted to US 2.70 cents (30 June 2015: US 2.73 cents).
- An interim dividend of HK10 cents per share (equivalent to US1.29 cents per share) was declared for the six months ended 30 June 2016.

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 2016, together with the comparative figures for the corresponding period in 2015 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>	2016	2015
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE		602,406	651,186
Cost of sales		<u>(500,353)</u>	<u>(557,383)</u>
Gross profit		102,053	93,803
Other income and gains, net	3	5,994	14,798
Administrative expenses		(35,058)	(35,489)
Other expenses and losses		(2,408)	(696)
Finance costs	5	(3,553)	(4,212)
Share of profits and losses of:			
Joint ventures		5,528	4,822
Associates		<u>293</u>	<u>406</u>
PROFIT BEFORE TAX	4	72,849	73,432
Income tax	6	<u>(1,538)</u>	<u>(2,109)</u>
PROFIT FOR THE PERIOD		<u><u>71,311</u></u>	<u><u>71,323</u></u>

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

	For the six months ended	
	30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(33,804)	2,987
Reclassification adjustments for (gains)/losses included in consolidated profit or loss	<u>144</u>	<u>(1,761)</u>
	(33,660)	1,226
Changes in fair value of available-for-sale investments	296	827
Exchange differences on translation of foreign operations	(2,999)	295
Share of other comprehensive income/(loss) of joint ventures	45	(60)
Share of other comprehensive loss of associates	<u>(224)</u>	<u>(4)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>(36,542)</u>	<u>2,284</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	<u>(36,542)</u>	<u>2,284</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>34,769</u></u>	<u><u>73,607</u></u>

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

	For the six months ended 30 June	
<i>Note</i>	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to:		
Shareholders of the Company	70,521	70,941
Non-controlling interests	<u>790</u>	<u>382</u>
	<u>71,311</u>	<u>71,323</u>
Total comprehensive income attributable to:		
Shareholders of the Company	34,099	73,238
Non-controlling interests	<u>670</u>	<u>369</u>
	<u>34,769</u>	<u>73,607</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		
	8	
Basic (US cents per share)	<u>2.70</u>	<u>2.73</u>
Diluted (US cents per share)	<u>2.70</u>	<u>2.71</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2016 <i>US\$'000</i> <i>(Unaudited)</i>	31 December 2015 <i>US\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		949,576	914,543
Prepaid land lease payments		18,937	19,671
Advance payments for acquisition of property, plant and equipment		8,030	11,181
Goodwill		1,063	1,091
Investments in joint ventures		26,005	29,690
Investments in associates		10,931	10,911
Available-for-sale investments		17,944	6,579
Derivative financial instruments		<u>—</u>	<u>127</u>
Total non-current assets		<u>1,032,486</u>	<u>993,793</u>
CURRENT ASSETS			
Bunkers		11,286	10,744
Trade receivables	9	69,279	57,111
Prepayments, deposits and other receivables		21,694	31,500
Due from related companies		108	201
Principal-protected investment deposits		57,955	4,620
Derivative financial instruments		—	29
Cash and cash equivalents		<u>200,047</u>	<u>279,443</u>
Total current assets		<u>360,369</u>	<u>383,648</u>
CURRENT LIABILITIES			
Trade payables	10	110,485	122,383
Other payables and accruals		39,248	39,889
Due to related companies		39	2,478
Derivative financial instruments		3,120	619
Bank borrowings		67,357	45,863
Income tax payables		<u>1,840</u>	<u>2,094</u>
Total current liabilities		<u>222,089</u>	<u>213,326</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

	30 June 2016	31 December 2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
NET CURRENT ASSETS	<u>138,280</u>	<u>170,322</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,170,766</u>	<u>1,164,115</u>
NON-CURRENT LIABILITIES		
Derivative financial instruments	213	50
Bank borrowings	<u>334,543</u>	<u>308,716</u>
Total non-current liabilities	<u>334,756</u>	<u>308,766</u>
Net assets	<u><u>836,010</u></u>	<u><u>855,349</u></u>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	33,678	33,675
Reserves	<u>795,369</u>	<u>814,767</u>
	829,047	848,442
Non-controlling interests	<u>6,963</u>	<u>6,907</u>
Total equity	<u><u>836,010</u></u>	<u><u>855,349</u></u>

NOTES

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial information 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 information are presented in the United States Dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

These condensed consolidated interim financial information have not been audited but have been reviewed by the audit committee of the Company. They do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2015.

Changes in accounting policies and disclosures

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2015, 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:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Adoption of the above new and revised HKFRSs did not have any material effect on the financial position or performance of the Group.

1.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

2. OPERATING SEGMENT INFORMATION

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, marine transportation, 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 interest income and finance costs are excluded from such measurement.

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

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

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

Segment results for the six months ended 30 June 2016

	Sea freight logistics US\$'000 (Unaudited)	Land-based logistics US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	274,935	327,471	602,406
Intersegment sales	<u>192,933</u>	<u>16,122</u>	<u>209,055</u>
	<u>467,868</u>	<u>343,593</u>	811,461
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(209,055)</u>
Revenue			<u>602,406</u>
Segment results	<u>35,333</u>	<u>39,117</u>	74,450
<i>Reconciliation:</i>			
Bank interest income			1,037
Interest income on principal-protected investment deposits			726
Interest income on listed debt investment			189
Finance costs			<u>(3,553)</u>
Profit before tax			<u>72,849</u>
Segment assets and liabilities as at 30 June 2016			
Segment assets	<u>946,069</u>	<u>236,347</u>	1,182,416
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(33,908)
Corporate and other unallocated assets			<u>244,347</u>
Total assets			<u>1,392,855</u>
Segment liabilities	<u>98,433</u>	<u>79,787</u>	178,220
<i>Reconciliation:</i>			
Elimination of intersegment payables			(33,908)
Corporate and other unallocated liabilities			<u>412,533</u>
Total liabilities			<u>556,845</u>

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			583
Interest income on principal-protected investment deposits			7,313
Finance costs			<u>(4,212)</u>
Profit before tax			<u>73,432</u>
Segment assets and liabilities as at 31 December 2015			
Segment assets	<u>901,024</u>	<u>271,779</u>	1,172,803
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(112,654)
Corporate and other unallocated assets			<u>317,292</u>
Total assets			<u>1,377,441</u>
Segment liabilities	<u>97,534</u>	<u>173,928</u>	271,462
<i>Reconciliation:</i>			
Elimination of intersegment payables			(112,654)
Corporate and other unallocated liabilities			<u>363,284</u>
Total liabilities			<u>522,092</u>

3. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	1,037	583
Interest income on		
- Principal-protected investment deposits	726	7,313
- Listed debt investment	189	—
Government subsidies*	2,374	3,282
Others	<u>12</u>	<u>159</u>
	<u>4,338</u>	<u>11,337</u>
Gains		
Gain on disposal of items of property, plant and equipment, net	30	119
Fair value gains of derivative instruments — transactions not qualifying as hedges, net	—	1,005
Fair value gains of cash flow hedges (transfer from equity), net	—	1,761
Realised gain on settlement of derivative financial instruments	984	576
Gain on disposal of a subsidiary	18	—
Other foreign exchange gains, net	<u>624</u>	<u>—</u>
	<u>1,656</u>	<u>3,461</u>
Other income and gains, net	<u><u>5,994</u></u>	<u><u>14,798</u></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	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Costs of services provided:		
Cost of bunkers consumed	43,718	80,510
Others	<u>352,045</u>	<u>365,694</u>
	<u>395,763</u>	<u>446,204</u>
Depreciation	26,554	19,028
Recognition of prepaid land lease payments	239	252
Foreign exchange differences, net	(624)	646*
Fair value losses/(gains) on derivative instruments for transactions not qualifying as hedges, net	2,235*	(1,005)
Fair value losses on cash flow hedges (transfer from equity), net	<u>144*</u>	<u>—</u>

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

5. FINANCE COSTS

Finance costs are interest on bank borrowings.

6. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current:		
Mainland China	532	1,167
Hong Kong	633	700
Elsewhere	<u>373</u>	<u>242</u>
Total tax charge for the period	<u>1,538</u>	<u>2,109</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 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 2016 amounting to US\$1,605,000 and tax credit of US\$3,600 (six months ended 30 June 2015: the share of income tax attributable to joint ventures and associates amounting to US\$1,563,000 and US\$12,000) 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

At the meeting of the board of directors of the Company (the “Board”) held on 19 August 2016, the Board resolved to declare an interim dividend of HK10 cents (equivalent to US1.29 cents) (six months ended 30 June 2015: nil) per share.

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 2,611,880,291 (six months ended 30 June 2015: 2,599,895,724) 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 basic and diluted earnings per share amounts are based on:

	For the six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<u>70,521</u>	<u>70,941</u>

	Number of shares For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,611,880,291	2,599,895,724
Effect of dilution - weighted average number of ordinary shares: Share options	<u>2,270,973</u>	<u>14,878,610</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	<u><u>2,614,151,264</u></u>	<u><u>2,614,774,334</u></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 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Within 1 month	59,816	45,410
1 to 2 months	5,795	7,794
2 to 3 months	2,289	2,905
Over 3 months	<u>1,379</u>	<u>1,002</u>
	<u><u>69,279</u></u>	<u><u>57,111</u></u>

Included in the Group's trade receivables are amounts due from the Group's joint ventures and associates of US\$14,202,000 (31 December 2015: US\$6,826,000) and US\$5,619,000 (31 December 2015: US\$11,000), 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 2016	31 December 2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	94,741	101,693
1 to 2 months	10,459	13,426
2 to 3 months	1,818	2,589
Over 3 months	<u>3,467</u>	<u>4,675</u>
	<u>110,485</u>	<u>122,383</u>

Included in the Group's trade payables are amounts due to the Group's joint ventures and associates of US\$7,140,000 (31 December 2015: US\$4,013,000) and US\$10,000 (31 December 2015: US\$3,324,000), respectively.

As at 31 December 2015, included in the Group's trade payables are amount due to companies controlled by Mr. Yang Shaopeng, the controlling shareholder of US\$882,000.

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

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

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 2016, 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 2016, the Group operated 60 trade lanes, including 9 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements. These trade lanes covered 59 major ports in the PRC Mainland, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 30 June 2016, the Group operated a fleet of 74 vessels with a total capacity of 92,247 TEU, comprised of 46 self-owned (59,123 TEU) and 28 chartered vessels (33,124 TEU), with an average age of 8 years. 54 of these 74 vessels were of the 1,000 TEU type. For the six months ended 30 June 2016, US\$55.8 million out of US\$60.0 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 2016 decreased by approximately 7.2% from US\$504.2 million for the six months ended 30 June 2015 to US\$467.9 million for the corresponding period in 2016. The decrease was a combined effect of (i) the increase in container shipping volume from 1,059,535 TEU for the six months ended 30 June 2015 to 1,094,470 TEU for the corresponding period in 2016; and (ii) the decrease in average container shipping freight rate (excluding slot exchange fee income) from US\$428.0/TEU for six months ended 30 June 2015 to US\$397.5/TEU for the corresponding period in 2016.

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 2016, the Group's shipping agency and freight forwarding network covered 62 major ports and cities, including the Mainland China, Japan, Korea, Hong Kong, Vietnam, Thailand, Singapore, Philippines, Cambodia and Indonesia. The Group also operated (including

through joint ventures) approximately 1,069,246 m² of depot and 90,262 m² of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination for the first half of 2016 decreased by approximately 7.5% from US\$371.6 million for the six months ended 30 June 2015 to US\$343.6 million for the corresponding period in 2016. The decrease was primarily attributable to the decrease in the average freight forwarding rate for the corresponding period in 2016.

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							
	2016	2015	2016	2015	2016	2015	2016	2015
	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	467,868	504,187	343,593	371,556	(209,055)	(224,557)	602,406	651,186
Cost of sales	<u>(424,211)</u>	<u>(469,975)</u>	<u>(285,197)</u>	<u>(311,965)</u>	<u>209,055</u>	<u>224,557</u>	<u>(500,353)</u>	<u>(557,383)</u>
Gross profit	43,657	34,212	58,396	59,591			102,053	93,803
Other income and gains (excluding bank interest income and other investment income)	3,125	5,934	917	968			4,042	6,902
Administrative expenses	(9,051)	(8,801)	(26,007)	(26,688)			(35,058)	(35,489)
Share of profits of:								
Joint ventures	—	—	5,528	4,822			5,528	4,822
Associates	—	—	293	406			293	406
Other expenses and losses	<u>(2,398)</u>	<u>(675)</u>	<u>(10)</u>	<u>(21)</u>			<u>(2,408)</u>	<u>(696)</u>
Segment results	35,333	30,670	39,117	39,078			74,450	69,748
Finance costs							(3,553)	(4,212)
Bank interest income and other investment income							<u>1,952</u>	<u>7,896</u>
Profit before tax							72,849	73,432
Income tax							<u>(1,538)</u>	<u>(2,109)</u>
Profit for the period							<u><u>71,311</u></u>	<u><u>71,323</u></u>
Profit attributable to:								
Shareholders of the Company							70,521	70,941
Non-controlling interests							<u>790</u>	<u>382</u>
							<u><u>71,311</u></u>	<u><u>71,323</u></u>

Revenue

The Group's total revenue after inter-segment elimination decreased by approximately 7.5% from approximately US\$651.2 million for the six months ended 30 June 2015 to approximately US\$602.4 million for the corresponding period in 2016. 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 10.2% from approximately US\$557.4 million for the six months ended 30 June 2015 to approximately US\$500.4 million for the corresponding period in 2016. 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 Group's gross profit increased by 8.8% from approximately US\$93.8 million for the six months ended 30 June 2015 to approximately US\$102.1 for the six months ended 30 June 2016. The Group's gross profit margin increased from approximately 14.4% for the six months ended 30 June 2015 to approximately 16.9% for the corresponding period in 2016.

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

For the six months ended 30 June 2016, other income and gains (excluding bank interest income and other investment income) decreased by approximately US\$2.9 million from approximately US\$6.9 million for the six months ended 30 June 2015 to US\$4.0 million for the corresponding period in 2016. The decrease was mainly attributable to the decrease in realised hedging gain on Japanese Yen in 2016 compared to 2015.

Bank Interest Income and Other Investment Income

The Group's bank interest income and other investment income was approximately US\$2.0 million and US\$7.9 million for the six months ended 30 June 2016 and 2015, respectively. The decrease was mainly attributable to the decrease in average amount available for investment and the average return generated during the six months ended 30 June 2016.

Administrative Expenses

The Group's administrative expenses decreased from approximately US\$35.5 million for the six months ended 30 June 2015 to approximately US\$35.1 million for the corresponding period in 2016. The decrease is a result of the on-going cost control applied in the Group.

Other Expenses and Losses

The Group's other expenses and losses were US\$2.4 million and US\$0.7 million for the six months ended 30 June 2016 and 2015, respectively. The increase was mainly attributable to the losses in Japanese Yen forward contracts during the period.

Finance Costs

The Group's finance costs decreased from US\$4.2 million for the six months ended 30 June 2015 to US\$3.6 million for the six months ended 30 June 2016. The decrease was mainly attributable to the decrease in borrowing interest rate.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by approximately 14.6% from approximately US\$4.8 million for the six months ended 30 June 2015 to approximately US\$5.5 million for the six months ended 30 June 2016. 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\$0.4 million and US\$0.3 million for the six months ended 30 June 2015 and 2016, respectively. There was no material change in the amount.

Profit before Tax

As a result of the foregoing, the Group's profit before tax decreased from approximately US\$73.4 million for the six months ended 30 June 2015 to approximately US\$72.8 million for the corresponding period in 2016.

Income Tax Expenses

The Group's income tax expense was approximately US\$2.1 million and US\$1.5 million for the six months ended 30 June 2015 and 2016, respectively. The decrease was primarily attributable to the decrease in taxable profit of the Group.

Profit for the Period

The Group's profit for the six months ended 30 June 2016 was approximately US\$71.3 million. There was no material change compared with the corresponding period in 2015.

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			
	2016		2015	
	<i>Amount</i>	<i>% of</i>	<i>Amount</i>	<i>% of</i>
	<i>(US\$'000)</i>	<i>segment revenue</i>	<i>(US\$'000)</i>	<i>segment revenue</i>
Income Statement Data:				
Segment revenue	467,868	100.0%	504,187	100.0%
Cost of Sales	(424,211)	(90.7)%	(469,975)	(93.2)%
Equipment and cargos				
transportation costs	(270,114)	(57.7)%	(271,284)	(53.8)%
Voyage costs	(73,126)	(15.6)%	(112,843)	(22.4)%
Container shipping vessels cost	(73,273)	(15.7)%	(77,715)	(15.4)%
Dry bulk vessel costs	(7,698)	(1.7)%	(8,133)	(1.6)%
Gross Profit	43,657	9.3%	34,212	6.8%
Other income and gains (excluding				
bank interest income and other				
investment income)	3,125	0.7%	5,934	1.2%
Administrative expenses	(9,051)	(1.9)%	(8,801)	(1.7)%
Other expenses and losses	(2,398)	(0.5)%	(675)	(0.1)%
Segment results	<u>35,333</u>	<u>7.6%</u>	<u>30,670</u>	<u>6.2%</u>

Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination decreased by approximately 7.2% from approximately US\$504.2 million for the six months ended 30 June 2015 to approximately US\$467.9 million for the six months ended 30 June 2016. This decrease was a combined effect of (i) the increase in container shipping volume from 1,059,535 TEU for the six months ended 30 June 2015 to 1,094,470 TEU for the corresponding period in 2016; and (ii) the decrease in average container shipping freight rate (excluding slot exchange fee income) from US\$428.0/TEU for the six months ended 30 June 2015 to US\$397.5/TEU for the corresponding period in 2016.

Cost of Sales

The cost of sales of the Group's sea freight logistics business before inter-segment elimination decreased by approximately 9.7% from approximately US\$470.0 million for the six months ended 30 June 2015 to approximately US\$424.2 million for the corresponding period in 2016. The 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\$43.7 million for its sea freight logistics business for the six months ended 30 June 2016, representing an increase of approximately 27.8% as compared to US\$34.2 million 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 2016, the other income and gains (excluding bank interest income and other investment income) decreased to approximately US\$3.1 million for the six months ended 30 June 2016 from approximately US\$5.9 million for the corresponding period in 2015. The decrease was primarily attributable to the decrease in realised hedging gain on Japanese Yen in 2016 compared to 2015.

Administrative Expenses

Administrative expenses of the Group's sea freight logistics business remained relatively stable and increased from approximately US\$8.8 million for the six months ended 30 June 2015 to approximately US\$9.1 million in the corresponding period of 2016.

Other Expenses and Losses

Other expenses and losses increased from US\$0.7 million for the six months ended 30 June 2015 to US\$2.4 million for the corresponding period in 2016. It was mainly attributable to the losses in Japanese Yen forward contracts in 2016.

Segment Results

As a result of the foregoing, the segment results of the Group's sea freight logistics business increased by approximately US\$4.6 million from approximately US\$30.7 million for the six months ended 30 June 2015 to approximately US\$35.3 million in the corresponding period in 2016.

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 the six months ended 30 June			
	2016		2015	
	<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	343,593	100.0%	371,556	100.0%
Freight forwarding and shipping agency	321,009	93.4%	351,858	94.7%
Other land-based logistics business	22,584	6.6%	19,698	5.3%
Cost of Sales	(285,197)	(83.0)%	(311,965)	(84.0)%
Freight forwarding and shipping agency	(269,897)	(78.6)%	(298,449)	(80.4)%
Other land-based logistics business	(15,300)	(4.5)%	(13,516)	(3.6)%
Gross Profit	58,396	17.0%	59,591	16.0%
Other income and gains (excluding bank interest income and investment income)	917	0.3%	968	0.3%
Administrative expenses	(26,007)	(7.6)%	(26,688)	(7.2)%
Other expenses and losses	(10)	—	(21)	—
Share of profit and losses of:				
Joint ventures	5,528	1.6%	4,822	1.3%
Associates	293	0.1%	406	0.1%
Segment results	<u>39,117</u>	<u>11.4%</u>	<u>39,078</u>	<u>10.5%</u>

Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination decreased by approximately 7.5% from approximately US\$371.6 million for the six months ended 30 June 2015 to approximately US\$343.6 million for the corresponding period in 2016. 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 8.8% from approximately US\$351.9 million for the six months ended 30 June 2015 to approximately US\$321.0 million for the corresponding period in 2016. This primarily reflected the decrease in the average freight forwarding rate from US\$391.9/TEU for the six months ended 30 June 2015 to US\$342.3/TEU for the corresponding period in 2016, which offset the continuous growth in the freight forward volume from 784,416 TEU for the six months ended 30 June 2015 to 817,434 TEU for the corresponding period in 2016.
- *Other land-based logistics businesses.* Revenue of the Group's other land-based logistics business increased by approximately 14.7% from approximately US\$19.7 million for the six months ended 30 June 2015 to approximately US\$22.6 million for the corresponding period in 2016. This increase was primarily attributable to the continuous growth in warehouse, depot, third party logistics and other services.

Cost of Sales

The cost of sales of the Group's land-based logistics business decreased by approximately 8.6% from approximately US\$312.0 million for the six months ended 30 June 2015 to approximately US\$285.2 million for the corresponding period in 2016. 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 9.6% from approximately US\$298.4 million for the six months ended 30 June 2015 to approximately US\$269.9 million for the corresponding period in 2016, 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 13.3% from approximately US\$13.5 million for the six months ended 30 June 2015 to approximately US\$15.3 million for the corresponding period in 2016. This increase was consistent with the growth of the operation scale.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's land-based logistics business decreased by approximately 2.0% from approximately US\$59.6 million for the six months ended 30 June 2015 to approximately US\$58.4 million for the corresponding period in year 2016. The gross profit margin of the Group's land-based logistics business increased from 16.0% for the six months ended 30 June 2015 to approximately 17.0% for the corresponding period in 2016.

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\$0.9 million and US\$1.0 million for the six months ended 30 June 2016 and 2015, respectively. There was no material difference in the balance.

Administrative Expenses

Administrative expenses of the Group's land-based logistics business decreased by approximately 2.6% from approximately US\$26.7 million for the six months ended 30 June 2015 to approximately US\$26.0 million for the corresponding period in the six months ended 30 June 2016. The decrease is a result of the on-going cost control applied in the Group overall.

Other Expenses and Losses

Other expenses and losses incurred by the Group's land-based logistics business for the six months ended 30 June 2016 was comparable to the corresponding period for 2015.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by approximately 14.6% from approximately US\$4.8 million for the six months ended 30 June 2015 to approximately US\$5.5 million for the corresponding period in 2016. The increase was mainly attributable to the expansion in the warehouse and depot business of such joint ventures.

Share of Profits of Associates

The Group's share of profits of associates was approximately US\$0.4 million and US\$0.3 million for the six months ended 30 June 2015 and 2016, 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 was approximately US\$39.1 million for the six months ended 30 June in 2015 and 2016. There was no material change in the amount.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by approximately 1.1% from approximately US\$1,377.4 million as at 31 December 2015 to approximately US\$1,392.9 million as at 30 June 2016. As at 30 June 2016, the Group had cash and cash equivalents amounting to approximately US\$200.0 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 6.6% from approximately US\$522.1 million as at 31 December 2015 to approximately US\$556.8 million as at 30 June 2016. At 30 June 2016, the Group had secured and unsecured interest-bearing bank loans of approximately US\$391.6 million and US\$10.3 million, respectively. The maturity profile is spread over a period, with approximately US\$67.4 million repayable within one year or on demand, approximately US\$53.0 million within the second year, approximately US\$149.6 million within third to fifth years and approximately US\$131.9 million beyond five years.

Further, the Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As at 30 June 2016, the Group hedged approximately 33.1% (31 December 2015: 18.4%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2016, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.6 compared to that of 1.8 as at 31 December 2015. 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 29% and 22% as at 30 June 2016 and 31 December 2015, respectively.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2016, 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\$638.5 million (31 December 2015: US\$578.4 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2016, the Group had an aggregate of 1,976 full-time employees (30 June 2015: 1,953). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$39.8 million (30 June 2015: US\$34.7 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group 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 2016, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2016, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “Board”) held on Friday, 19 August 2016, the Board has resolved to declare an interim dividend of HK10 cents (equivalent to US1.29 cents) (six months ended 30 June 2015: nil) per share for the six months ended 30 June 2016 to shareholders whose name appear on the Register of Members of the Company at the close of business on Friday, 2 September 2016. The dividend is expected to be paid on Wednesday, 14 September 2016.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 September 2016 to Tuesday, 6 September 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with properly completed transfer forms must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 September 2016.

OTHER INFORMATION

Purchase, Sale and Redemption of Securities

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

Corporate Governance

The Company is committed to maintaining a stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company’s accountability and transparency. For the period throughout the six months ended 30 June 2016, 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 2016.

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 and all relevant employees, 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 2016.

Review of Accounts

The audit committee of the Company (the “**Audit Committee**”) comprises 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 2016.

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 2016 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, 19 August 2016

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.