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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 2017

Financial Highlights

- Revenue for the six months ended 30 June 2017 was approximately US\$645.6 million, increased by approximately 6.8% as compared to approximately US\$604.3 million* for the corresponding period in 2016.
- Gross profit for the six months ended 30 June 2017 increased by approximately 9.4% from approximately US\$103.9 million* for the six months ended 30 June 2016 to approximately US\$113.7 million which translated to an increase in gross profit margin to approximately 17.6% for the six months ended 30 June 2017 from approximately 17.2% for the six months ended 30 June 2016.
- Profit for the six months ended 30 June 2017 increased by approximately 20.3% to approximately US\$85.8 million from approximately US\$71.3 million for the corresponding period in 2016.
- Basic earnings per share for the six months ended 30 June 2017 amounted to US3.24 cents (30 June 2016: US2.70 cents).
- An interim dividend of HK10 cents per share (equivalent to US1.28 cents per share) was declared for the six months ended 30 June 2017.

** Restated data for the period ended 30 June 2016, excluding freight income tax. Further details about the restatement are set out in note 11 to this financial information.*

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 2017, together with the comparative figures for the corresponding period in 2016 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>	2017	2016
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE		645,553	604,288
Cost of sales		<u>(531,838)</u>	<u>(500,353)</u>
Gross profit		113,715	103,935
Other income and gains, net	3	8,524	5,994
Administrative expenses		(33,701)	(35,058)
Other expenses and losses		(279)	(2,408)
Finance costs	5	(4,176)	(3,553)
Share of profits and losses of:			
Joint ventures		5,079	5,528
Associates		<u>352</u>	<u>293</u>
PROFIT BEFORE TAX	4	89,514	74,731
Income tax	6	<u>(3,680)</u>	<u>(3,420)</u>
PROFIT FOR THE PERIOD		<u>85,834</u>	<u>71,311</u>

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

	For the six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OTHER COMPREHENSIVE 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	(8,672)	(33,804)
Reclassification adjustments for losses included in consolidated profit or loss	<u>270</u>	<u>144</u>
	(8,402)	(33,660)
Changes in fair value of available-for-sale investments	154	296
Exchange differences on translation of foreign operations	2,148	(2,999)
Share of other comprehensive income of joint ventures	657	45
Share of other comprehensive income/(loss) of associates	<u>280</u>	<u>(224)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(5,163)</u>	<u>(36,542)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	<u>(5,163)</u>	<u>(36,542)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>80,671</u>	<u>34,769</u>

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

	For the six months ended 30 June	
<i>Note</i>	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period attributable to:		
Shareholders of the Company	85,078	70,521
Non-controlling interests	<u>756</u>	<u>790</u>
	<u>85,834</u>	<u>71,311</u>
Total comprehensive income attributable to:		
Shareholders of the Company	79,702	34,099
Non-controlling interests	<u>969</u>	<u>670</u>
	<u>80,671</u>	<u>34,769</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		
Basic (US cents per share)	<u>3.24</u>	<u>2.70</u>
Diluted (US cents per share)	<u>3.23</u>	<u>2.70</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2017 <i>US\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>US\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		904,187	925,749
Prepaid land lease payments		18,166	17,928
Advance payments for acquisition of items of property, plant and equipment		4,225	—
Goodwill		1,046	1,019
Prepayments		1,057	1,057
Investments in joint ventures		33,908	31,268
Investments in associates		11,241	10,610
Available-for-sale investments		22,390	16,745
Derivative financial instruments		<u>114</u>	<u>179</u>
Total non-current assets		<u>996,334</u>	<u>1,004,555</u>
CURRENT ASSETS			
Bunkers		15,129	13,749
Trade receivables	9	60,770	59,379
Prepayments, deposits and other receivables		20,403	12,610
Due from related companies		1,128	111
Principal-protected investment deposits at fair value through profit or loss		4,802	11,372
Derivative financial instruments		1,324	905
Cash and bank balances		<u>408,914</u>	<u>352,957</u>
Total current assets		<u>512,470</u>	<u>451,083</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

	<i>Note</i>	30 June 2017 <i>US\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>US\$'000</i> <i>(Audited)</i>
CURRENT LIABILITIES			
Trade payables	10	120,392	118,278
Other payables and accruals		45,950	39,513
Due to related companies		—	29
Derivative financial instruments		395	1
Bank borrowings		91,155	63,712
Income tax payables		<u>1,283</u>	<u>1,006</u>
Total current liabilities		<u>259,175</u>	<u>222,539</u>
NET CURRENT ASSETS		<u>253,295</u>	<u>228,544</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,249,629</u>	<u>1,233,099</u>
NON-CURRENT LIABILITIES			
Bank borrowings		<u>324,879</u>	<u>345,859</u>
Net assets		<u>924,750</u>	<u>887,240</u>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		34,029	33,713
Reserves		<u>883,711</u>	<u>846,284</u>
		917,740	879,997
Non-controlling interests		<u>7,010</u>	<u>7,243</u>
Total equity		<u>924,750</u>	<u>887,240</u>

NOTES

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These condensed consolidated interim financial information is presented in the United States dollar (“**US\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

This condensed consolidated interim financial information has not been audited but has been reviewed by the audit committee of the Company. It does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2016.

Changes in accounting policies and disclosures

The accounting policies and basis of preparation adopted in the preparation of this condensed consolidated interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2016, 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 information:

Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKAS 7	<i>Disclosure Initiative</i>
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above 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 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, land transportation and ship brokerage services and related businesses.

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

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

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

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

Six months ended 30 June 2017

	Sea freight logistics US\$'000 (Unaudited)	Land-based logistics US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue:			
Sales to external customers	285,975	359,578	645,553
Intersegment sales	<u>234,529</u>	<u>16,257</u>	<u>250,786</u>
	<u>520,504</u>	<u>375,835</u>	896,339
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(250,786)</u>
Revenue			<u>645,553</u>
Segment results	<u>46,929</u>	<u>42,592</u>	89,521
<i>Reconciliation:</i>			
Bank interest income			3,395
Interest income on principal-protected investment deposits			330
Interest income on listed debt investments			278
Gains on disposal of available-for-sale investments			166
Finance costs			<u>(4,176)</u>
Profit before tax			<u>89,514</u>
As at 30 June 2017			
Segment assets	<u>901,559</u>	<u>268,470</u>	1,170,029
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(121,593)
Corporate and other unallocated assets			<u>460,368</u>
Total assets			<u>1,508,804</u>
Segment liabilities	<u>121,529</u>	<u>158,145</u>	279,674
<i>Reconciliation:</i>			
Elimination of intersegment payables			(121,593)
Corporate and other unallocated liabilities			<u>425,973</u>
Total liabilities			<u>584,054</u>

Six months ended 30 June 2016

	Sea freight logistics US\$'000 (Unaudited) (restated)	Land-based logistics US\$'000 (Unaudited)	Total US\$'000 (Unaudited) (restated)
Segment revenue:			
Sales to external customers	276,817	327,471	604,288
Intersegment sales	<u>192,933</u>	<u>16,122</u>	<u>209,055</u>
	<u>469,750</u>	<u>343,593</u>	813,343
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(209,055)</u>
Revenue			<u>604,288</u>
Segment results	<u>37,215</u>	<u>39,117</u>	76,332
<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>74,731</u>
As at 31 December 2016			
Segment assets	<u>908,570</u>	<u>281,135</u>	1,189,705
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(141,755)
Corporate and other unallocated assets			<u>407,688</u>
Total assets			<u>1,455,638</u>
Segment liabilities	<u>108,474</u>	<u>184,823</u>	293,297
<i>Reconciliation:</i>			
Elimination of intersegment payables			(141,755)
Corporate and other unallocated liabilities			<u>416,856</u>
Total liabilities			<u>568,398</u>

3. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	3,395	1,037
Interest income on		
- Principal-protected investment deposits	330	726
- Listed debt investments	278	189
Government subsidies*	498	2,374
Others	10	12
	<u>4,511</u>	<u>4,338</u>
Gains		
Gain on disposal of items of property, plant and equipment, net	830	30
Gain on disposal of a subsidiary	—	18
Gains on disposal of available-for-sale investments	<u>166</u>	<u>—</u>
Fair value gains of derivative instruments — transactions not qualifying as hedges, net	778	—
Realised gain on settlement of derivative financial instruments	1,347	984
Foreign exchange gains, net	<u>892</u>	<u>624</u>
	<u>4,013</u>	<u>1,656</u>
Other income and gains, net	<u>8,524</u>	<u>5,994</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	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of services provided:		
Cost of bunkers consumed	72,765	43,718
Depreciation	25,601	24,612
Others	<u>356,370</u>	<u>352,045</u>
	<u>454,736</u>	<u>420,375</u>
Depreciation	27,465	26,554
Less: Amount included in cost of services provided	<u>(25,601)</u>	<u>(24,612)</u>
	<u>1,864</u>	<u>1,942</u>
Recognition of prepaid land lease payments	228	239
Fair value losses on derivative instruments for transactions not qualifying as hedges, net	—	2,235*
Fair value losses on cash flow hedges (transfer from equity), net	<u>270*</u>	<u>144*</u>

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

5. FINANCE COSTS

Finance costs are interest on bank loans.

6. INCOME TAX

	For the six months ended 30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current:		
Mainland China	829	532
Hong Kong	295	633
Elsewhere	<u>2,556</u>	<u>2,255</u>
Total tax expense for the period	<u>3,680</u>	<u>3,420</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 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 2017 amounting to US\$1,396,000 (six months ended 30 June 2016: US\$1,605,000) and US\$38,000 (six months ended 30 June 2016: tax credit of US\$3,600) 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 18 August 2017, the Board resolved to declare an interim dividend of HK10 cents (equivalent to US1.28 cents) (six months ended 30 June 2016: HK10 cents) per share, totalling US\$33,815,000 (six months ended 30 June 2016: US\$33,644,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to shareholders of the Company, and the weighted average number of ordinary shares of 2,624,372,762 (six months ended 30 June 2016: 2,611,880,291) in issue during the period.

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

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

	For the six months ended 30 June	
	2017	2016
	<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>85,078</u>	<u>70,521</u>

	Number of shares For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,624,372,762	2,611,880,291
Effect of dilution of share options - weighted average number of ordinary shares	<u>10,612,329</u>	<u>2,270,973</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	<u>2,634,985,091</u>	<u>2,614,151,264</u>

9. TRADE RECEIVABLES

	30 June 2017	31 December 2016
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade receivables	60,782	59,400
Impairment	<u>(12)</u>	<u>(21)</u>
	<u>60,770</u>	<u>59,379</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 18 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 provision, is as follows:

	30 June 2017	31 December 2016
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	51,632	49,956
1 to 2 months	6,225	6,139
2 to 3 months	1,376	1,240
Over 3 months	<u>1,537</u>	<u>2,044</u>
	<u>60,770</u>	<u>59,379</u>

Included in the Group's trade receivables are amounts due from the Group's joint ventures and associates of US\$8,469,000 (31 December 2016: US\$9,030,000) and US\$2,397,000 (31 December 2016: US\$118,000), 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 2017	31 December 2016
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	94,728	97,895
1 to 2 months	15,289	14,489
2 to 3 months	3,566	2,418
Over 3 months	<u>6,809</u>	<u>3,476</u>
	<u>120,392</u>	<u>118,278</u>

Included in the Group's trade payables are amounts due to the Group's joint ventures, associates and related companies which are controlled by Mr. Yang Shaopeng, the controlling shareholder of the Company, of US\$5,182,000 (31 December 2016: US\$4,466,000), US\$3,000 (31 December 2016: US\$199,000) and Nil (31 December 2016: US\$1,459,000), respectively.

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

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

11. COMPARATIVE AMOUNTS

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

Freight income tax incurred on the Group's sea freight service was previously reported net of the Group's sea freight revenue in the prior period. In the opinion of the directors of the Company, it is more appropriate to report freight income tax arising from sea freight services as income tax charge and hence freight income tax of US\$1,882,000 in the six months ended 30 June 2016 was reclassified from "Revenue" to "Income tax" on the face of the condensed statement of profit or loss and other comprehensive income. The effect of which is to increase each of the Group's revenue, gross profit and income tax for the six months ended 30 June 2016 by US\$1,882,000.

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 2017, 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 2017, the Group operated 59 trade lanes, including 10 trade lanes through joint services and 21 trade lanes through container slot exchange arrangements. These trade lanes covered 63 major ports in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 30 June 2017, the Group operated a fleet of 72 vessels with a total capacity of 94,882 TEU, comprised of 47 self-owned (62,060 TEU) and 25 chartered vessels (32,822 TEU), with an average age of 8.8 years. 44 of these 72 vessels were of the 1,000 TEU type. For the six months ended 30 June 2017, US\$0.8 million out of US\$4.6 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 2017 increased by approximately 10.8% from US\$469.7 million for the six months ended 30 June 2016 to US\$520.5 million for the corresponding period in 2017. The increase was mainly attributable to the increase in the shipping volume from 1,094,470 TEU for the six months ended 30 June 2016 to 1,257,301 TEU for the corresponding period in 2017.

The land-based logistics business is another key component of the Group's business model, which comprised freight forwarding, shipping agency, depot and warehousing, land transportation, ship brokerage, and terminal businesses. As of 30 June 2017, the Group's shipping agency and freight forwarding network covered 64 major cities, including Mainland China, Japan, Korea, Hong Kong, Vietnam, Thailand, Singapore, Philippines, Cambodia, Indonesia and Malaysia. The Group also operated (including through joint ventures) approximately 1,035,233 m² of depot and 102,634 m² of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination for the first half of 2017 increased by approximately 9.4% from US\$343.6 million for the six months ended 30 June 2016 to US\$375.8 million for the corresponding period in 2017. The increase was primarily attributable to the increase in the freight forwarding volume from 817,434 TEU for the six months ended 30 June 2016 to 900,213 TEU for the corresponding period in 2017.

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, together with the continuous enhancement on the information technology systems and the improvement in the management efficiency of the Group, 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							
	2017	2016	2017	2016	2017	2016	2017	2016
	Sea freight logistics US\$'000	US\$'000	Land-based logistics US\$'000	US\$'000	Inter-segment sales US\$'000	US\$'000	Total US\$'000	US\$'000
Revenue	520,504	469,750	375,835	343,593	(250,786)	(209,055)	645,553	604,288
Cost of sales	(469,607)	(424,211)	(313,017)	(285,197)	250,786	209,055	(531,838)	(500,353)
Gross profit	50,897	45,539	62,818	58,396			113,715	103,935
Other income and gains (excluding bank interest income and other investment income)	4,283	3,125	72	917			4,355	4,042
Administrative expenses	(7,972)	(9,051)	(25,729)	(26,007)			(33,701)	(35,058)
Share of profits of:								
Joint ventures	—	—	5,079	5,528			5,079	5,528
Associates	—	—	352	293			352	293
Other expenses and losses	(279)	(2,398)	—	(10)			(279)	(2,408)
Segment results	46,929	37,215	42,592	39,117			89,521	76,332
Finance costs							(4,176)	(3,553)
Bank interest income and other investment income							4,169	1,952
Profit before tax							89,514	74,731
Income tax							(3,680)	(3,420)
Profit for the period							<u>85,834</u>	<u>71,311</u>
Profit attributable to:								
Shareholders of the Company							85,078	70,521
Non-controlling interests							756	790
							<u>85,834</u>	<u>71,311</u>

Revenue

The Group's total revenue after inter-segment elimination increased by approximately 6.8% from approximately US\$604.3 million for the six months ended 30 June 2016 to approximately US\$645.6 million for the corresponding period in 2017. The increase was primarily attributable to the increase in container shipping volume and freight forwarding volume 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 increased by approximately 6.3% from approximately US\$500.4 million for the six months ended 30 June 2016 to approximately US\$531.8 million for the corresponding period in 2017. The increase was primarily attributable to the significant increase in bunker cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased from approximately US\$103.9 million for the six months ended 30 June 2016 to approximately US\$113.7 million for the six months ended 30 June 2017. The Group's gross profit margin increased from approximately 17.2% for the six months ended 30 June 2016 to approximately 17.6% for the corresponding period in 2017.

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

For the six months ended 30 June 2017, other income and gains (excluding bank interest income and other investment income) increased by approximately US\$0.4 million from approximately US\$4.0 million for the six months ended 30 June 2016 to approximately US\$4.4 million for the corresponding period in 2017. There was no material fluctuation to the amount.

Bank Interest Income and Other Investment Income

The Group's bank interest income and other investment income was approximately US\$4.2 million and US\$2.0 million for the six months ended 30 June 2017 and 2016, respectively. The increase was mainly attributable to the increase in the average amount available for investment and the average return generated during the six months ended 30 June 2017.

Administrative Expenses

The Group's administrative expenses decreased from approximately US\$35.1 million for the six months ended 30 June 2016 to approximately US\$33.7 million for the corresponding period in 2017, representing a decrease of approximately 4.0%. The decrease was primarily a result of the on-going cost control and the increased management efficiency applied in the Group on the whole.

Other Expenses and Losses

The Group's other expenses and losses were approximately US\$0.3 million and US\$2.4 million for the six months ended 30 June 2017 and 2016, respectively. The decrease was mainly attributable to the fair value loss on derivative instruments turned from a loss of approximately US\$2.2 million in 2016 to a gain of approximately US\$0.8 million in 2017.

Finance Costs

The Group's finance costs increased from approximately US\$3.6 million for the six months ended 30 June 2016 to approximately US\$4.2 million for the six months ended 30 June 2017. The increase was mainly attributable to the increase in both average bank borrowing balance and borrowing interest rate.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by approximately US\$0.4 million from approximately US\$5.5 million for the six months ended 30 June 2016 to approximately US\$5.1 million for the six months ended 30 June 2017. There was no material fluctuation to the amount.

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 2017 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 increased by 19.8% from approximately US\$74.7 million for the six months ended 30 June 2016 to approximately US\$89.5 million for the corresponding period in 2017.

Income Tax Expense

The Group's income tax expense was approximately US\$3.7 million and US\$3.4 million for the six months ended 30 June 2017 and 2016, respectively. The increase was primarily attributable to the increase in taxable profit of the Group.

Profit for the Period

The Group's profit for the six months ended 30 June 2017 was approximately US\$85.8 million, representing an increase of approximately US\$14.5 million over the profit of US\$71.3 million for the corresponding period in 2016.

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			
	2017		2016	
	Amount	% of	Amount	% of
	(US\$'000)	segment revenue	(US\$'000)	segment revenue
Income Statement Data:				
Segment revenue	520,504	100.0%	469,750	100.0%
Cost of Sales	(469,607)	(90.2)%	(424,211)	(90.3)%
Equipment and cargos transportation costs	(285,476)	(54.8)%	(270,114)	(57.5)%
Voyage costs	(103,360)	(19.9)%	(73,126)	(15.6)%
Container shipping vessels cost	(73,717)	(14.2)%	(73,273)	(15.6)%
Dry bulk vessel costs	(7,054)	(1.3)%	(7,698)	(1.6)%
Gross Profit	50,897	9.8%	45,539	9.7%
Other income and gains (excluding bank interest income and other investment income)	4,283	0.8%	3,125	0.6%
Administrative expenses	(7,972)	(1.5)%	(9,051)	(1.9)%
Other expenses and losses	<u>(279)</u>	<u>(0.1)%</u>	<u>(2,398)</u>	<u>(0.5)%</u>
Segment results	<u>46,929</u>	<u>9.0%</u>	<u>37,215</u>	<u>7.9%</u>

Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination increased by approximately 10.8% from approximately US\$469.8 million for the six months ended 30 June 2016 to approximately US\$520.5 million for the six months ended 30 June 2017. This increase was a combined effect of (i) the increase in container shipping volume from 1,094,470 TEU for the six months ended 30 June 2016 to 1,257,301 TEU for the corresponding period in 2017; and (ii) the decrease in average container shipping freight rate (excluding slot exchange fee income) from US\$399.3/TEU for the six months ended 30 June 2016 to US\$388.1/TEU for the corresponding period in 2017.

Cost of Sales

The cost of sales of the Group's sea freight logistics business before inter-segment elimination increased by approximately 10.7% from approximately US\$424.2 million for the six months ended 30 June 2016 to approximately US\$469.6 million for the corresponding period in 2017. Such increase was primarily attributable to the increase in bunker cost.

Gross Profit

As a result of the foregoing, the Group recorded gross profit of approximately US\$50.9 million for its sea freight logistics business for the six months ended 30 June 2017, representing an increase of approximately US\$5.4 million as compared to approximately US\$45.5 million 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 2017, the other income and gains (excluding bank interest income and other investment income) increased to approximately US\$4.3 million for the six months ended 30 June 2017 from approximately US\$3.1 million for the corresponding period in 2016. The increase was a combined effect of (i) the fair value gains and realised gain on settlement of derivative instruments increased by approximately US\$2.1 million in 2017 compared to 2016; (ii) the gains on disposal of containers increased by approximately US\$0.8 million in 2017 compared to 2016; and (iii) the decrease in the government subsidies of approximately US\$1.9 million.

Administrative Expenses

Administrative expenses of the Group's sea freight logistics business decreased from approximately US\$9.1 million for the six months ended 30 June 2016 to approximately US\$8.0 million in the corresponding period of 2017. The decrease was a result of the on-going cost control and the increased management efficiency applied in the Group on the whole.

Other Expenses and Losses

Other expenses and losses decreased from approximately US\$2.4 million for the six months ended 30 June 2016 to approximately US\$0.3 million for the corresponding period in 2017. It was mainly attributable to the fair value loss on derivative instruments turned from a loss of approximately US\$2.2 million in 2016 to a gain of approximately US\$0.8 million in 2017.

Segment Results

As a result of the foregoing, the segment results of the Group's sea freight logistics business increased by approximately US\$9.7 million from approximately US\$37.2 million for the six months ended 30 June 2016 to approximately US\$46.9 million in the corresponding period in 2017.

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			
	2017		2016	
	Amount	% of	Amount	% of
	(US\$'000)	segment revenue	(US\$'000)	segment revenue
Income Statement Data:				
Segment revenue	375,835	100.0%	343,593	100.0%
Freight forwarding and shipping agency	352,156	93.7%	321,009	93.4%
Other land-based logistics business	23,679	6.3%	22,584	6.6%
Cost of Sales	(313,017)	(83.3%)	(285,197)	(83.0)%
Freight forwarding and shipping agency	(297,475)	(79.2)	(269,897)	(78.6)%
Other land-based logistics business	(15,542)	(4.1%)	(15,300)	(4.5)%
Gross Profit	62,818	16.7%	58,396	17.0%
Other income and gains (excluding bank interest income and investment income)	72	0.1%	917	0.3%
Administrative expenses	(25,729)	(6.8%)	(26,007)	(7.6)%
Other expenses and losses	—	—	(10)	—
Share of profit and losses of:				
Joint ventures	5,079	1.4%	5,528	1.6%
Associates	352	0.1%	293	0.1%
Segment results	<u>42,592</u>	<u>11.3%</u>	<u>39,117</u>	<u>11.4%</u>

Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination increased by approximately 9.4% from approximately US\$343.6 million for the six months ended 30 June 2016 to approximately US\$375.8 million for the corresponding period in 2017. 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 9.7% from approximately US\$321.0 million for the six months ended 30 June 2016 to approximately US\$352.2 million for the corresponding period in 2017. This primarily reflected the continuous growth in the freight forwarding volume from 817,434 TEU for the six months ended 30 June 2016 to 900,213 TEU for the corresponding period in 2017, which offset the decrease in the average freight forwarding rate from US\$342.3/TEU for the six months ended 30 June 2016 to US\$341.4/TEU for the corresponding period in 2017.
- *Other land-based logistics businesses.* Revenue of the Group's other land-based logistics business increased by approximately 4.9% from approximately US\$22.6 million for the six months ended 30 June 2016 to approximately US\$23.7 million for the corresponding period in 2017. This increase was primarily attributable to the expansion in land transportation, warehouse and depot businesses.

Cost of Sales

The cost of sales of the Group's land-based logistics business increased by approximately 9.7% from approximately US\$285.2 million for the six months ended 30 June 2016 to approximately US\$313.0 million for the corresponding period in 2017. 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 10.2% from approximately US\$269.9 million for the six months ended 30 June 2016 to approximately US\$297.5 million for the corresponding period in 2017, 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 1.3% from approximately US\$15.3 million for the six months ended 30 June 2016 to approximately US\$15.5 million for the corresponding period in 2017. This increase primarily reflected the cost increase in connection with the expansion in land transportation, warehouse and depot businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's land-based logistics business increased by approximately 7.5% from approximately US\$58.4 million for the six months ended 30 June 2016 to approximately US\$62.8 million for the corresponding period in year 2017. The gross profit margin of the Group's land-based logistics business were 16.7% and 17.0% for the six months ended 30 June 2017 and 2016, respectively.

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 approximately US\$0.1 million and US\$0.9 million for the six months ended 30 June 2017 and 2016, respectively. The decrease was primarily attributable to the decrease in the government subsidies.

Administrative Expenses

Administrative expenses of the Group's land-based logistics business decreased by approximately 1.2% from approximately US\$26.0 million for the six months ended 30 June 2016 to approximately US\$25.7 million for the corresponding period in the six months ended 30 June 2017. The decrease was a result of the on-going cost control and the increased management efficiency applied in the Group on the whole.

Other Expenses and Losses

Other expenses and losses incurred by the Group's land-based logistics business for the six months ended 30 June 2017 was comparable to the corresponding period for 2016.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by approximately US\$0.4 million from approximately US\$5.5 million for the six months ended 30 June 2016 to approximately US\$5.1 million for the corresponding period in 2017. There was no material fluctuation to the amount.

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 2017 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 increased by approximately 9.0% from approximately US\$39.1 million for the six months ended 30 June 2016 to approximately US\$42.6 million for the corresponding period in 2017.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by approximately 3.7% from approximately US\$1,455.6 million as at 31 December 2016 to approximately US\$1,508.8 million as at 30 June 2017. As at 30 June 2017, the Group had cash and bank balances amounting to approximately US\$408.9 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 2.8% from approximately US\$568.4 million as at 31 December 2016 to approximately US\$584.1 million as at 30 June 2017. At 30 June 2017, the Group had secured and unsecured interest-bearing bank loans of approximately US\$380.9 million and US\$35.1 million, respectively. The maturity profile is spread over a period, with approximately US\$91.1 million repayable within one year or on demand, approximately US\$54.7 million within the second year, approximately US\$151.1 million within third to fifth years and approximately US\$119.1 million beyond five years.

Further, the Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As at 30 June 2017, the Group hedged approximately 23.0% (31 December 2016: 27.0%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 30 June 2017, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 2.0 which was the same in the amount as at 31 December 2016. 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 16% and 20% as at 30 June 2017 and 31 December 2016, respectively.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2017, 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\$608.5 million (31 December 2016: US\$650.3 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2017, the Group had an aggregate of 1,188 full-time employees (excluding crew members, 30 June 2016: 1,266). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$41.1 million (30 June 2016: US\$39.8 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 2017, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2017, 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 the announcement of the Company dated 14 August 2017 in relation to exercise of options for the construction of two container vessels and contracts for the construction of two additional container vessels, 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, 18 August 2017, the Board has resolved to declare an interim dividend of HK\$10 cents (equivalent to US\$1.28 cents) (six months ended 30 June 2016: HK10 cents) per share for the six months ended 30 June 2017 to shareholders whose name appear on the Register of Members of the Company at the close of business on Friday, 1 September 2017. The dividend is expected to be paid on Thursday, 14 September 2017.

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, 4 September 2017 to Tuesday, 5 September 2017, 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, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 September 2017.

OTHER INFORMATION

Purchase, Sale and Redemption of Shares

During the six months ended 30 June 2017, 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 2017, 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 2017.

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 2017.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) consists of Mr. Tsui Yung Kwok, Dr. Lo Wing Yan, William and Dr. Ngai Wai Fung, all of whom are the independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Tsui Yung Kwok. 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 2017.

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 2017 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, 18 August 2017

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