



# SITC

**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

Interim Report  
**2017**

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# Corporate Information

## DIRECTORS

### Executive Directors

YANG Shaopeng (*Chairman*)

YANG Xianxiang (*Vice-Chairman and Chief Executive Officer*)

LIU Kecheng

XUE Peng (*Joint Company Secretary*)

LAI Zhiyong

XUE Mingyuan

### Independent Non-Executive Directors

TSUI Yung Kwok

YEUNG Kwok On

LO Wing Yan, William

NGAI Wai Fung

## BOARD COMMITTEES

### Audit Committee

TSUI Yung Kwok (*Chairman*)

LO Wing Yan, William

NGAI Wai Fung

### Remuneration Committee

YEUNG Kwok On (*Chairman*)

NGAI Wai Fung

TSUI Yung Kwok

YANG Shaopeng

YANG Xianxiang

### Nomination Committee

YANG Shaopeng (*Chairman*)

LO Wing Yan, William

NGAI Wai Fung

YANG Xianxiang

YEUNG Kwok On

## Disclosure Committee

YANG Xianxiang (*Chairman*)

LIU Kecheng

XUE Peng (*Joint Company Secretary*)

LAI Zhiyong

XUE Mingyuan

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## CORPORATE HEADQUARTER

21/F, World Trade Centre

280 Gloucester Road

Causeway Bay

Hong Kong

## AUTHORISED REPRESENTATIVES

LIU Kecheng

XUE Peng (*Joint Company Secretary*)

## JOINT COMPANY SECRETARIES

XUE Peng

CHAN Wai Ling (FCS, FCIS (PE))

## PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")

## NAME OF STOCK

SITC International Holdings Company Limited ("**SITC**")

## STOCK CODE

01308

## PRINCIPAL BANKERS (By alphabetical order)

ANZ Bank  
Bank of America  
Bank of China  
Bank of China (Hong Kong) Limited  
China Merchants Bank  
Citibank, N.A.  
Standard Chartered Bank (HongKong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

## AUDITORS

Ernst & Young

## LEGAL ADVISORS

### As to Hong Kong law:

Sidley Austin  
Level 39, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

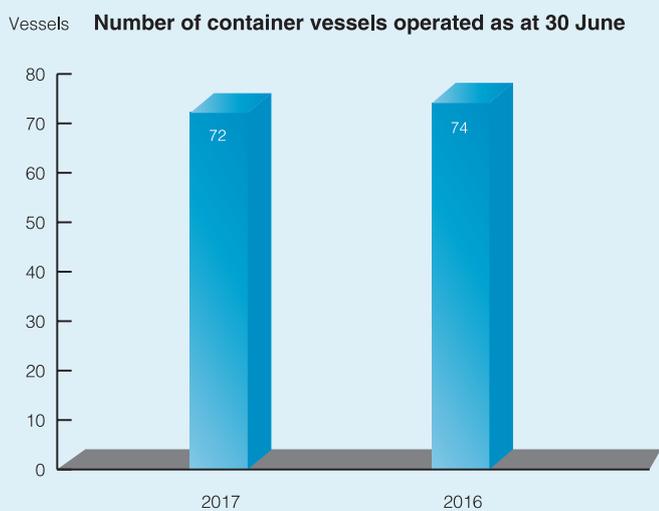
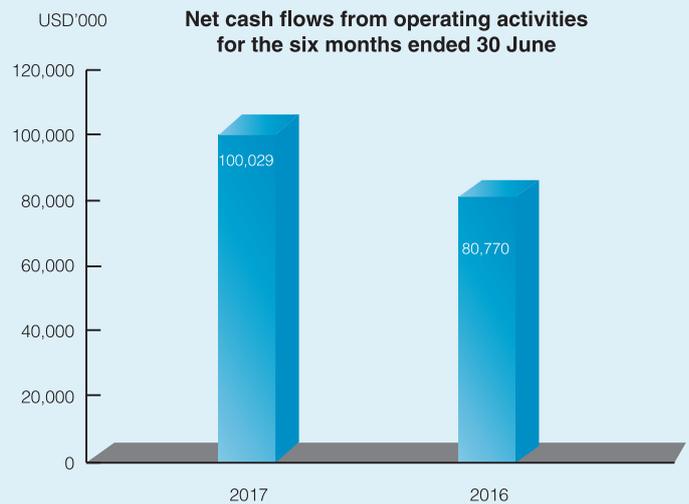
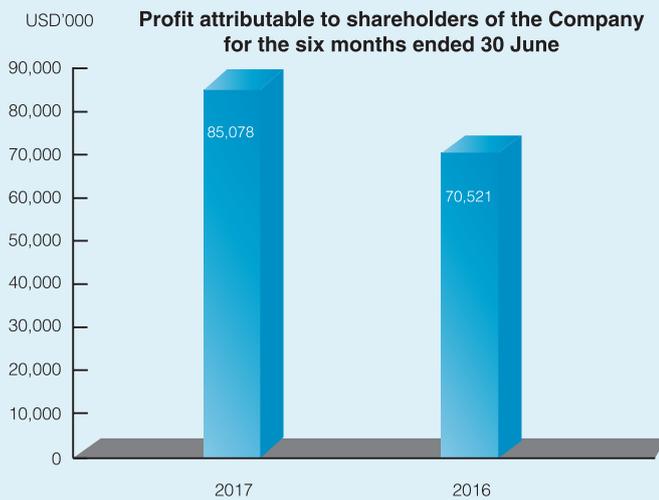
### As to Cayman Islands law:

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## WEBSITE

[www.sitc.com](http://www.sitc.com)

# Financial and Operating Highlights



■ Shipping volume    ■ Freight forwarding volume

# 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, the Philippines, Cambodia, Indonesia and Malaysia. The Group also operated (including through joint ventures) approximately 1,035,233 m<sup>2</sup> of depot and 102,634 m<sup>2</sup> of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination for the first half of 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.

# Management Discussion and Analysis

## Financial Overview

	For the six months ended 30 June							
	2017	2016	2017	2016	2017	2016	2017	2016
	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	
<b>Revenue</b>	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)
<b>Gross profit</b>	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)
<b>Profit for the period</b>							85,834	71,311
<b>Profit attributable to:</b>								
Shareholders of the Company							85,078	70,521
Non-controlling interests							756	790
							85,834	71,311

### 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.

## Management Discussion and Analysis

### 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 (US\$' 000)	% of segment revenue	Amount (US\$' 000)	% of segment revenue
<b>Income Statement Data:</b>				
<b>Segment revenue</b>	520,504	100.0%	469,750	100.0%
<b>Cost of Sales</b>	(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)%
<b>Gross Profit</b>	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	(279)	(0.1)%	(2,398)	(0.5)%
<b>Segment results</b>	<b>46,929</b>	<b>9.0%</b>	<b>37,215</b>	<b>7.9%</b>

#### 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 ongoing cost control and the increased management efficiency applied in the Group on the whole.

### 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 (US\$' 000)	% of segment revenue	Amount (US\$' 000)	% of segment revenue
<b>Income Statement Data:</b>				
<b>Segment revenue</b>	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%
<b>Cost of Sales</b>	(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)%
<b>Gross Profit</b>	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%
<b>Segment results</b>	42,592	11.3%	39,117	11.4%

### 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.

## Management Discussion and Analysis

### 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).

## Management Discussion and Analysis

### 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 report.

## Other Information

### 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 HK10 cents (equivalent to US1.28 cents) per share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK10 cents) to shareholders whose name appear on the Register of Members of the Company at the close of business at 4:30 p.m. 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.

### POST-IPO SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a share option scheme (the “**Post-IPO Share Option Scheme**”) whereby the Board can grant options for the subscription of the shares of the Company (the “**Shares**”) to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the “**Participants**”) as described in the Post-IPO Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Post-IPO Share Option Scheme was 260,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company dated 20 September 2010 (the “**Prospectus**”). The number of options that may be

granted pursuant to the terms of the Post-IPO Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Post-IPO Share Option Scheme takes effect from the date it was adopted and shall remain effective within a period of 10 years from that date.

## Other Information

The followings are details of the options granted pursuant to the Post-IPO Share Option Scheme but not yet exercised for the six months ended 30 June 2017:

Grantee and position	Date of grant of options	Options outstanding as at 1 January 2017	Number of options of granted during the period	Number of options exercised/ cancelled/ lapsed during the period	Number of options not yet exercised on 30 June 2017	Approximate percentage of shareholding upon the exercise of the options
<b>Executive Director</b>						
YANG Shaopeng	10 March 2015	1,000,000	—	1,000,000	—	
YANG Xianxiang	10 March 2015	1,000,000	—	1,000,000	—	
LIU Kecheng	10 March 2015	400,000	—	400,000	—	
	25 October 2011	300,000	—	300,000		
XUE Peng	10 March 2015	400,000	—	—	400,000	0.03%
	25 October 2011	300,000	—	—	300,000	
LAI Zhiyong	10 March 2015	600,000	—	—	600,000	0.03%
	25 October 2011	100,000	—	—	100,000	
XUE Mingyuan	10 March 2015	600,000	—	—	600,000	0.04%
	25 October 2011	500,000	—	—	500,000	
<b>Independent</b>						
<b>Non-executive Director</b>						
TSUI Yung Kwok	10 March 2015	400,000	—	400,000	—	
YEUNG Kwok On	10 March 2015	400,000	—	400,000	—	
LO Wing Yan, William	10 March 2015	400,000	—	—	400,000	0.02%
NGAI Wai Fung	10 March 2015	400,000	—	400,000	—	
	25 October 2011	400,000	—	400,000	—	
<b>Others</b>						
Other employees	10 March 2015	7,855,000	—	1,790,000	6,065,000	0.23%
	25 October 2011	2,815,000	—	745,000	2,070,000	0.08%
<b>Total</b>		17,870,000	—	6,835,000	11,035,000	0.42%

As at 30 June 2017, the Company had 11,035,000 share options outstanding under the Post-IPO Share Option Scheme, which represented approximately 0.42% of the Shares of the Company in issue as at 30 June 2017.

## PRE-IPO SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme on 10 September 2010 (the “**Pre-IPO Share Option Scheme**”). The purpose of the Pre-IPO Share Option Scheme is to reward the contribution of certain employees, executives or officers of the Company made or may have made to the growth of the Company and/or the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of all the Shareholders passed on 10 September 2010, are substantially the same as the terms of the Post-IPO Share Option Scheme except that:

- (a) The subscription price per share shall be a price equivalent to a 20% discount to the Offer Price of the Shares under the Global Offering, that means HK\$3.824 per share;
- (b) The total number of shares involved in the Pre-IPO Share Option Scheme was 79,160,000 shares, which is equivalent to approximately 3.0% of the Shares in issue of the Company after completion of the Global Offering; and
- (c) the eligible participants under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of the Company or any of the subsidiaries who have been in employment with the Company for over one year prior to the date of the adoption of the Pre-IPO Share Option Scheme or any other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries;
- (d) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before an Option can be exercised) as it may think fit; and
- (e) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on the Stock Exchange.

The followings are details of the options granted pursuant to the Pre-IPO Share Option Scheme but not yet exercised for the six months ended 30 June 2017:

Grantee and position	Date of grant of options	Number of options granted and outstanding as at 1 January 2017	Number of options exercised/ cancelled/ lapsed during the period	Number of options not yet exercised on 30 June 2017	Approximate percentage of shareholding upon the exercise of the options
<b>Executive Director</b>					
LIU Kecheng	10 September 2010	800,000	800,000	—	—
XUE Peng	10 September 2010	800,000	800,000	—	—
LAI Zhiyong	10 September 2010	200,000	—	200,000	0.01%
XUE Mingyuan	10 September 2010	800,000	—	800,000	0.03%
<b>Others</b>					
Other employees	10 September 2010	42,396,000	16,272,000	26,124,000	0.99%
<b>Total</b>		<b>44,996,000</b>	<b>17,872,000</b>	<b>27,124,000</b>	<b>1.03%</b>

## Other Information

As at 30 June 2017, the Company had 27,124,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.03% of the Shares of the Company in issue as at 30 June 2017.

The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

- (a) up to 25% of the Shares that are subject to the Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the first anniversary of 6 October 2010 (the "**Listing Date**") and ending on the second anniversary of the Listing Date;
- (b) up to 25% of the Shares that are subject to the Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the second anniversary of the Listing Date and ending on the third anniversary of the Listing Date;

- (c) up to 25% of the Shares that are subject to the Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date; and
- (d) such number of Shares that are subject to the Option so granted to him/her less the number of Shares in respect of which the Options has been exercised at any time during the period commencing from the fourth anniversary of the Listing Date and ending on the expiry of the option period.

Upon acceptance of the Options, the grantee shall pay HK\$1.00 as consideration for each grant of the Option. The Options granted under the Pre-IPO Share Option Scheme are not transferable and options not exercised within the exercise period above will lapse and cease to be of further effect.

Other details of the Pre-IPO Share Option Scheme are set forth in the Prospectus.

## INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2017, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 of the Listing Rules, are as follows:

### (i) Interest in the Company

Name of Director	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage of Shareholding
YANG Shaopeng <sup>(2)</sup>	Beneficiary of the Pengli Trust	1,375,390,231(L)	52.11%
	Beneficial Owner	10,619,000(L)	0.40%
YANG Xianxiang	Beneficial Owner	8,220,000(L)	0.03%
LIU Kecheng	Beneficial Owner	1,000,000(L)	0.04%
XUE Peng <sup>(3)</sup>	Settlor of the Xue Trust	12,866,176(L)	0.49%
	Beneficial Owner	800,000(L)	0.03%
LAI Zhiyong <sup>(4)</sup>	Beneficiary of the Go Thrive Trust	3,037,847(L)	0.12%
	Beneficial Owner	185,000(L)	0.02%
XUE Mingyuan <sup>(4)</sup>	Beneficiary of the Go Thrive Trust	1,906,100(L)	0.07%
TSUI Yung Kwok	Beneficial Owner	800,000(L)	0.02%
YEUNG Kwok On	Beneficial Owner	901,000(L)	0.04%
NGAI Wai Fung	Beneficial Owner	800,000(L)	0.03%

Notes:

(1) The letters “L” denotes the person’s long position in the Shares.

(2) 1,375,390,231 Shares are held by Resourceful Link Management Limited (“Resourceful Link”). The issued share capital of Resourceful Link is owned as to 79.82% by Better Master. Better Master is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the BVI. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(3) 12,866,176 Shares were held by Watercrests Profits Limited, which was owned as to 50.3% by Add Investments Company Limited, which was owned as to 100% by JTC Trustees (BVI) Limited as the trustee of the Xue Trust holding such interests for the beneficiary of the Xue Trust, namely Ms. Jiao Lei, the spouse of Mr. XUE Peng. Mr. XUE Peng is the settlor.

(4) 3,037,847 Shares and 1,906,100 Shares are held by Go Thrive Limited, which is wholly owned by Mr. ZHAO Zhiyong, as the trustee holding such interests for the beneficiaries of Go Thrive Trust, including Mr. LAI Zhiyong and Mr. XUE Mingyuan.

## Other Information

### (ii) Interest in underlying Shares

Name of Director	Nature of Interest	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme <sup>(Note)</sup>		
		Number of Shares in the Company subject to options under the Pre-IPO Share Option Scheme	Number of Shares in the Company subject to options under the Post-IPO Share Option Scheme	
YANG Shaopeng	Beneficial owner	—	—	
YANG Xianxiang	Beneficial owner	—	—	
LIU Kecheng	Beneficial owner	—	—	
XUE Peng	Beneficial owner	—	700,000	0.03%
LAI Zhiyong	Beneficial owner	200,000	700,000	0.03%
XUE Mingyuan	Beneficial owner	800,000	1,100,000	0.07%
TSUI Yung Kwok	Beneficial owner	—	—	
YEUNG Kwok On	Beneficial owner	—	—	
LO Wing Yan, William	Beneficial owner	—	400,000	0.02%
NGAI Wai Fung	Beneficial owner	—	—	

Note: Assuming full exercise of the options under both the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme

### (iii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of Shareholding
YANG Shaopeng <sup>(1)</sup>	Resourceful Link	55,290	79.82%
YANG Xianxiang <sup>(2)</sup>	Resourceful Link	11,776	17.00%
LIU Kecheng <sup>(3)</sup>	Resourceful Link	2,205	3.18%

Notes:

(1) Resourceful Link is interested in approximately 52.11% of the issued share capital of the Company. Resourceful Link is owned as to 79.82% by Better Master, which is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the BVI. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) Resourceful Link is interested in approximately 52.11% of the issued share capital of the Company. Jixiang Limited is interested in 17.00% of the issued share capital of Resourceful Link. Jixiang Limited is in turn owned as to 100% by UBS Nominees Limited.

UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Jixiang Trust, namely Mr. YANG Xianxiang and his family. The Jixiang Trust is a revocable discretionary trust established under the laws and regulations of the BVI. Mr. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust.

(3) Resourceful Link is interested in approximately 52.11% of the issued share capital of the Company. Yicheng Group Limited is interested in 3.18% of the issued share capital of Resourceful Link. Yicheng Group Limited is in turn owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Yicheng Trust, namely Mr. LIU Kecheng and his family. The Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the BVI. Mr. LIU Kecheng is the settlor and a beneficiary of the Yicheng Trust.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to any Director, as at 30 June 2017, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of Shares <sup>(1)</sup>	Percentage of Shareholding
LIU Rongli <sup>(3)</sup>	Beneficiary of the Pengli Trust	1,384,590,231(L)	52.11%
Resourceful Link <sup>(2)</sup>	Beneficial owner	1,375,390,231(L)	52.11%
Better Master <sup>(2)</sup>	Interest in controlled corporation	1,375,390,231(L)	52.11%
UBS Trustees (B.V.I.) Limited <sup>(2)</sup>	Trustee	1,375,390,231(L)	52.11%

## Other Information

Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) Resourceful Link is owned as to 79.82%, 17.00% and 3.18% by Better Master, Jixiang Limited and Yicheng Group Limited. Better Master is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Pengli Trust. Jixiang Limited is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited as the trustee, holds such interests for the beneficiaries of the Jixiang Trust. Yicheng Group Limited is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Yicheng Trust. Each of the Pengli Trust, the Jixiang Trust and the Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the BVI by certain of the Directors to hold their family interests in the Company.
- (3) Ms. LIU Rongli is the spouse of Mr. YANG Shaopeng and is also deemed to be interested in all the shares of the Company held by Mr. YANG Shaopeng by virtue of the SFO.

### CORPORATE GOVERNANCE

The Company is committed to maintain a stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the six months ended 30 June 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") in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set out in the CG code of the six months ended 30 June 2017.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than 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 Company has made specific enquiry of all directors regarding any non-compliance with the Model Code and all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2017.

### PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the Listing Rules throughout six months ended 30 June 2017.

### AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr. TSUI Yung Kwok, Dr. LO Wing Yan, William and Mr. NGAI Wai Fung. 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 REPORT

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 the shareholders of the Company and made available for review on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitc.com>) in due course.

For and on behalf of the Board of Directors

**YANG Shaopeng**

*Chairman*

18 August 2017

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

The Board of Directors (the “**Board**”) of SITC International Holdings Company Limited (the “**Company**”) hereby presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

	Notes	For the six months ended 30 June	
		2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
REVENUE		645,553	604,288
Cost of sales		(531,838)	(500,353)
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		352	293
PROFIT BEFORE TAX	4	89,514	74,731
Income tax	6	(3,680)	(3,420)
PROFIT FOR THE PERIOD		85,834	71,311

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2017

	Note	For the six months ended 30 June	
		2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
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		<b>(8,672)</b>	(33,804)
Reclassification adjustments for losses included in consolidated profit or loss		<b>270</b>	144
		<b>(8,402)</b>	(33,660)
Changes in fair value of available-for-sale investments		<b>154</b>	296
Exchange differences on translation of foreign operations		<b>2,148</b>	(2,999)
Share of other comprehensive income of joint ventures		<b>657</b>	45
Share of other comprehensive income/(loss) of associates		<b>280</b>	(224)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		<b>(5,163)</b>	(36,542)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX		<b>(5,163)</b>	(36,542)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>80,671</b>	34,769
Profit for the period attributable to:			
Shareholders of the Company		<b>85,078</b>	70,521
Non-controlling interests		<b>756</b>	790
		<b>85,834</b>	71,311
Total comprehensive income for the period attributable to:			
Shareholders of the Company		<b>79,702</b>	34,099
Non-controlling interests		<b>969</b>	670
		<b>80,671</b>	34,769
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic (US cents per share)		<b>3.24</b>	2.70
Diluted (US cents per share)		<b>3.23</b>	2.70

# Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 US\$' 000 (Unaudited)	31 December 2016 US\$' 000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	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		114	179
<b>Total non-current assets</b>		<b>996,334</b>	<b>1,004,555</b>
<b>CURRENT ASSETS</b>			
Bunkers		15,129	13,749
Trade receivables	10	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		408,914	352,957
<b>Total current assets</b>		<b>512,470</b>	<b>451,083</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	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		1,283	1,006
<b>Total current liabilities</b>		<b>259,175</b>	<b>222,539</b>
<b>NET CURRENT ASSETS</b>		<b>253,295</b>	<b>228,544</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,249,629</b>	<b>1,233,099</b>

## Condensed Consolidated Statement of Financial Position (continued)

30 June 2017

	Note	30 June 2017 US\$' 000 (Unaudited)	31 December 2016 US\$' 000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,249,629</b>	1,233,099
NON-CURRENT LIABILITIES			
Bank borrowings		<b>324,879</b>	345,859
Net assets		<b>924,750</b>	887,240
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	<b>34,029</b>	33,713
Reserves		<b>883,711</b>	846,284
		<b>917,740</b>	879,997
Non-controlling interests		<b>7,010</b>	7,243
Total equity		<b>924,750</b>	887,240

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

Six months ended 30 June 2016

	Attributable to shareholders of the Company											Total equity (Unaudited) US\$'000			
	Issued capital (Unaudited) US\$'000	Share premium account (Unaudited) US\$'000	Capital redemption reserve (Unaudited) US\$'000	Merger reserve (Unaudited) US\$'000	PPC reserve funds (Unaudited) US\$'000	Capital reserve (Unaudited) US\$'000	Share-based compensation reserve (Unaudited) US\$'000	Share option reserve (Unaudited) US\$'000	Hedging reserve (Unaudited) US\$'000	Available-for-sale investment revaluation reserve (Unaudited) US\$'000	Exchange fluctuation reserve (Unaudited) US\$'000		Retained profits (Unaudited) US\$'000	Total (Unaudited) US\$'000	Non-controlling interests (Unaudited) US\$'000
At 1 January 2016	33,675	361,317	202	(7,362)	4,327	(463)	4,597	3,140	6,860	(50)	(3,050)	445,249	848,442	6,907	855,349
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	70,521	70,521	780	71,311
Other comprehensive income/(loss) for the period:															
Changes in fair value of available-for-sale investments, net of income tax	—	—	—	—	—	—	—	—	—	236	—	—	236	—	236
Cash flow hedges, net of income tax	—	—	—	—	—	—	—	—	(33,660)	—	—	—	(33,660)	—	(33,660)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	(2,879)	—	(2,879)	(120)	(2,999)
Share of other comprehensive income/(loss) of:															
- Joint ventures	—	—	—	—	—	—	—	—	—	—	45	—	45	—	45
- Associates	—	—	—	—	—	—	—	—	—	—	(224)	—	(224)	—	(224)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	—	(33,660)	236	(3,058)	70,521	34,089	670	34,769
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	160	160
Issue of shares upon exercise of share options under pre-PPC share option scheme (note 12)	3	115	—	—	—	—	—	(6)	—	—	—	—	112	—	112
Issue of shares upon exercise of share options under post-PPC share option scheme (note 12)	—	4	—	—	—	—	—	(1)	—	—	—	—	3	—	3
Share option expense	—	—	—	—	—	—	—	487	—	—	—	—	487	—	487
Transfer to PPC reserve funds	—	—	—	—	55	—	—	—	—	—	(55)	—	—	—	—
Dividends paid to non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(774)	(774)
Final 2015 dividend paid	—	—	—	—	—	—	—	—	—	—	(54,096)	—	(54,096)	—	(54,096)
At 30 June 2016	33,678	361,436	202	(7,362)	4,382	(463)	4,597	3,620	(26,800)	246	(6,108)	461,619	829,047	6,983	836,010

# Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2017

Six months ended 30 June 2017

	Attributable to shareholders of the Company											Total equity (Unaudited) US\$ '000			
	Issued capital (Unaudited) US\$ '000	Share premium account (Unaudited) US\$ '000	Capital redemption reserve (Unaudited) US\$ '000	Merger reserve (Unaudited) US\$ '000	PRC reserve funds (Unaudited) US\$ '000	Capital reserve (Unaudited) US\$ '000	Share-based compensation reserve (Unaudited) US\$ '000	Share option reserve (Unaudited) US\$ '000	Hedging reserve (Unaudited) US\$ '000	Available-for-sale investment revaluation reserve (Unaudited) US\$ '000	Exchange fluctuation reserve (Unaudited) US\$ '000		Retained profits (Unaudited) US\$ '000	Total (Unaudited) US\$ '000	Non-controlling interests (Unaudited) US\$ '000
At 1 January 2017	33,713	362,787*	202*	(7,362)*	4,543*	(463)*	4,597*	3,771*	2,788*	275*	(5,140)*	480,286*	879,997	7,243	887,240
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	85,078	85,078	756	85,834
Other comprehensive income/(loss) for the period:															
Changes in fair value of available-for-sale investments, net of income tax	—	—	—	—	—	—	—	—	154	—	—	—	154	—	154
Cash flow hedges, net of income tax	—	—	—	—	—	—	—	—	(8,402)	—	—	—	(8,402)	—	(8,402)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	1,935	—	1,935	213	2,148
Share of other comprehensive income of:															
- Joint ventures	—	—	—	—	—	—	—	—	—	—	657	—	657	—	657
- Associates	—	—	—	—	—	—	—	—	—	—	280	—	280	—	280
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	—	(8,402)	154	2,872	85,078	79,702	969	80,671
Acquisition of non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	97	97
Issue of shares upon exercise of share options under pre-IPO share option scheme (note 12)	229	8,895	—	—	—	—	—	(464)	—	—	—	—	8,700	—	8,700
Issue of shares upon exercise of share options under post-IPO share option scheme (note 12)	87	4,336	—	—	—	—	—	(1,016)	—	—	—	—	3,407	—	3,407
Transfer to share option reserve upon the forfeiture or expiry of share options	—	—	—	—	—	—	—	(18)	—	—	—	18	—	—	—
Share option expense	—	—	—	—	—	—	—	105	—	—	—	(282)	105	—	105
Transfer to PRC reserve funds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends paid to non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,299)	(1,299)
Final 2016 dividend paid	—	—	—	—	—	—	—	—	—	—	—	(54,171)	(54,171)	—	(54,171)
At 30 June 2017	34,029	376,668*	202*	(7,362)*	4,805*	(463)*	4,597*	2,378*	(5,614)*	429*	(2,268)*	510,949*	917,740	7,010	924,750

\* These reserve accounts comprise the consolidated reserves of US\$883,711,000 (unaudited) (31 December 2016: US\$846,284,000) in the condensed consolidated statement of financial position as at 30 June 2017.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	104,459	84,879
Interest income received	2,916	1,285
Interest paid	(3,943)	(3,530)
Hong Kong profits tax refund/(paid)	(22)	97
Overseas tax paid	(3,381)	(1,961)
Net cash flows from operating activities	100,029	80,770
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(3,801)	(51,957)
Proceeds from disposal of items of property, plant and equipment	1,021	—
Advance payments for acquisition of items of property, plant and equipment	(825)	(8,030)
Investment in a joint venture	—	(94)
Acquisition of subsidiaries	—	160
Proceeds from sale of principal-protected investment deposits	55,702	66,357
Purchase of principal-protected investment deposits	(49,132)	(119,692)
Proceeds from disposal of an available-for-sale investment	3,103	—
Purchase of listed debt investments	(7,627)	(11,069)
Decrease/(increase) in non-pledged time deposits with original maturity of over three months but less than one year when acquired	(128,957)	118,105
Decrease in non-pledged time deposits with original maturity of over one year when acquired	—	3,500
Dividends received from joint ventures	2,281	2,044
Dividends received from associates	—	49
Other cash flows from investing activities, net	1,113	196
Net cash flows used in investing activities	(127,122)	(431)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of shares pursuant to exercise of share options	12,107	—
New bank borrowings	58,769	89,695
Repayment of bank borrowings	(60,850)	(72,441)
Dividends paid	(54,171)	(54,096)
Dividends paid to non-controlling equity holders of subsidiaries	(2,501)	(1,548)
Other cash flows from financing activities, net	—	115
Net cash flows used in financing activities	(46,646)	(38,275)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(73,739)</b>	42,064

## Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(73,739)</b>	42,064
Cash and cash equivalents at beginning of period	<b>157,235</b>	157,748
Effect of foreign exchange rate changes, net	<b>739</b>	145
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>84,235</b>	199,957
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	<b>50,296</b>	43,728
Non-pledged time deposits with original maturity of less than three months when acquired	<b>33,939</b>	156,229
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>84,235</b>	199,957
Non-pledged time deposits with original maturity of over three months when acquired	<b>324,679</b>	90
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>408,914</b>	200,047

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

## 1.1 CORPORATE INFORMATION

SITC International Holdings Company Limited (the “**Company**”) was a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY-1111, Cayman Islands. The Company’s principal place of business in Hong Kong is located at 21/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the provision of marine, transportation services, freight forwarding services for marine transportation, depot and warehouse services and related business.

In the opinion of the directors, the immediate holding company of the Company is Resourceful Link Management Limited, which is incorporated in the British Virgin Islands (the “**BVI**”), and the ultimate holding company of the Company is Better Master Investments Limited, which is incorporated in the BVI.

## 1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit 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 2016.

### Changes in accounting policies and disclosures

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

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.

## 1.3 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.

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

## 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.

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.

## 2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2017

	Sea freight logistics US\$' 000 (Unaudited)	Land-based logistics US\$' 000 (Unaudited)	Total US\$' 000 (Unaudited)
<b>Segment revenue:</b>			
Sales to external customers	285,975	359,578	645,553
Intersegment sales	234,529	16,257	250,786
	<b>520,504</b>	<b>375,835</b>	<b>896,339</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(250,786)
Revenue			<b>645,553</b>
<b>Segment results</b>	<b>46,929</b>	<b>42,592</b>	<b>89,521</b>
<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			(4,176)
Profit before tax			<b>89,514</b>
<b>As at 30 June 2017</b>			
<b>Segment assets</b>	<b>901,559</b>	<b>268,470</b>	<b>1,170,029</b>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(121,593)
Corporate and other unallocated assets			460,368
Total assets			<b>1,508,804</b>
<b>Segment liabilities</b>	<b>121,529</b>	<b>158,145</b>	<b>279,674</b>
<i>Reconciliation:</i>			
Elimination of intersegment payables			(121,593)
Corporate and other unallocated liabilities			425,973
Total liabilities			<b>584,054</b>

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

### 2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2016

	Sea freight logistics US\$' 000 (Unaudited) (restated)	Land-based logistics US\$' 000 (Unaudited)	Total US\$' 000 (Unaudited) (restated)
<b>Segment revenue:</b>			
Sales to external customers	276,817	327,471	604,288
Intersegment sales	192,933	16,122	209,055
	<u>469,750</u>	<u>343,593</u>	813,343
<i>Reconciliation:</i>			
Elimination of intersegment sales			(209,055)
Revenue			<u>604,288</u>
<b>Segment results</b>	<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			(3,553)
Profit before tax			<u>74,731</u>
<b>As at 31 December 2016</b>			
<b>Segment assets</b>	<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			407,688
Total assets			<u>1,455,638</u>
<b>Segment liabilities</b>	<u>108,474</u>	<u>184,823</u>	293,297
<i>Reconciliation:</i>			
Elimination of intersegment payables			(141,755)
Corporate and other unallocated liabilities			416,856
Total liabilities			<u>568,398</u>

### 3. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
<b>Other income</b>		
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
	<b>4,511</b>	4,338
<b>Gains</b>		
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	166	—
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	892	624
	<b>4,013</b>	1,656
Other income and gains, net	<b>8,524</b>	5,994

\* 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.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

### 4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
Cost of services provided:		
Cost of bunkers consumed	72,765	43,718
Depreciation	25,601	24,612
Others	356,370	352,045
	<b>454,736</b>	420,375
Depreciation	27,465	26,554
Less: Amount included in cost of services provided	(25,601)	(24,612)
	<b>1,864</b>	1,942
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	270*	144*

\* 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 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
Current:		
Mainland China	829	532
Hong Kong	295	633
Elsewhere	2,556	2,255
Total tax expense for the period	3,680	3,420

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, totaling US\$33,815,000 (six months ended 30 June 2016: US\$33,644,000).

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

### 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 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
<b>Earnings</b>		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<b>85,078</b>	70,521
	Number of shares for the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<b>2,624,372,762</b>	2,611,880,291
Effect of dilution of share options - weighted average number of ordinary shares	<b>10,612,329</b>	2,270,973
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	<b>2,634,985,091</b>	2,614,151,264

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment at a total cost of US\$4,413,000 (six months ended 30 June 2016: US\$51,659,000) and disposed of items of property, plant and equipment with an aggregate carrying amount of US\$189,000 (six months ended 30 June 2016: US\$11,276,000).

## 10. TRADE RECEIVABLES

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

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 provisions, is as follows:

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

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.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

### 11. TRADE PAYABLES

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

	<b>30 June 2017 US\$' 000 (Unaudited)</b>	31 December 2016 US\$' 000 (Audited)
Within 1 month	<b>94,728</b>	97,895
1 to 2 months	<b>15,289</b>	14,489
2 to 3 months	<b>3,566</b>	2,418
Over 3 months	<b>6,809</b>	3,476
	<b>120,392</b>	118,278

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.

### 12. SHARE CAPITAL

	<b>30 June 2017</b>		31 December 2016	
	<b>HK\$' 000 (Unaudited)</b>	<b>US\$' 000 equivalent (Unaudited)</b>	HK\$' 000 (Audited)	US\$' 000 equivalent (Audited)
Authorised:				
5,000,000,000 ordinary shares of HK\$0.1 each	<b>500,000</b>		500,000	
Issued and fully paid:				
2,639,312,000 (31 December 2016: 2,614,769,000) ordinary shares of HK\$0.1 each	<b>263,931</b>	<b>34,029</b>	261,477	33,713

## 12. SHARE CAPITAL (continued)

A summary of the movement in the Company's issued share capital during the period is as follows:

	Number of issued and fully paid ordinary shares  (Unaudited)	Issued share capital	
		HK\$' 000 (Unaudited)	US\$' 000 equivalent (Unaudited)
At 1 January 2017	2,614,769,000	261,477	33,713
Issue of new shares upon exercise of share options (notes)	24,543,000	2,454	316
At 30 June 2017	2,639,312,000	263,931	34,029

Notes:

- (a) The subscription rights attaching to 17,808,000 share options issued under the pre-IPO share option scheme were exercised at subscription price of HK\$3.824 per share, resulting in the issue of 17,808,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$68,098,000 (equivalent to approximately US\$8,700,000). An amount of US\$464,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (b) The subscription rights attaching to 1,445,000 and 5,290,000 share options issued under the post-IPO share option schemes were exercised at the subscription price of HK\$1.968 and HK\$4.531 per share respectively, resulting in the issue of 6,735,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$26,813,000 (equivalent to approximately US\$3,407,000). An amount of US\$1,016,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

## 13. CAPITAL COMMITMENTS

At 30 June 2017, the Group had capital commitments of US\$41,380,000 in total (31 December 2016: Nil) in total, which are contracted but not provided for, in respect of acquisition of vessels.

## 14. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

### 15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these condensed interim financial statements, the Group had the following material transactions with related parties during the period:

	For the six months ended 30 June	
	2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
Companies controlled by the Controlling Shareholder:		
Container marine transportation services income	8,133	7,394
Freight forwarding services expense for marine transportation	2	—
Shipping agency expenses	860	776
Vessel management income	35	35
Vessel rental expenses	1,941	1,025
Joint ventures:		
Container marine transportation services income	87,240	77,279
Freight forwarding services income for marine transportation	262	433
Warehousing expenses	5,124	4,495
Warehousing income	—	313
Land and building rental income	840	818
Shipping agency expenses	2,527	1,733
Custom service income	—	23
Freight forwarding services expenses	1,097	1,072
Technology outsourcing services income	694	192
Associates:		
Container marine transportation services income	65,798	49,986
Freight forwarding services income for marine transportation	132	—
Shipping agency expenses	997	497
Freight forwarding services expenses	—	31

The above transactions were conducted in accordance with the terms and conditions mutually agreed by the parties involved.

## 15. RELATED PARTY TRANSACTIONS (continued)

- (b) Compensation of key management personnel of the Group, which are also the directors of the Company, is as follows:

	For the six months ended 30 June	
	2017 US\$' 000 (Unaudited)	2016 US\$' 000 (Unaudited)
Short term employee benefits	2,513	2,303
Post-employment benefits	34	33
Equity-settled share option expense	44	200
Total compensation paid to key management	2,591	2,536

- (c) Outstanding balances with related companies

The balances with related companies represent balances with companies which are controlled by the Controlling Shareholder, the joint ventures and the associates. The balances are unsecured, interest-free and repayable on demand.

None of the balances with related companies are either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The unlisted equity investments of the Group's available-for-sale investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair values measurement of financial instruments. The finance manager reports directly to the Chief Financial Officer and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Chief Financial Officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of listed equity investments and club debenture of available-for-sale investments at fair value are based on quoted market prices. The directors believe that the estimated fair values resulting from the changes in quoted market prices, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of held-to-maturity investments and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The non-performance risk from the Group for its interest-bearing bank borrowings as at 30 June 2017 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions of creditworthy banks. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

#### Fair value hierarchy

The following tables illustrate the fair value measurement of the Group's financial instruments:

#### Assets measured at fair value

As at 30 June 2017

	Fair value measurement using			Total US\$' 000 (Unaudited)
	Quoted prices in active markets (Level 1) US\$' 000 (Unaudited)	Significant observable inputs (Level 2) US\$' 000 (Unaudited)	Significant unobservable inputs (Level 3) US\$' 000 (Unaudited)	
Available-for-sale investments:				
Listed equity investments, at fair value	3,049	—	—	3,049
Unlisted club debentures, at fair value	558	—	—	558
Listed debt instruments, at fair value	18,783	—	—	18,783
Derivative financial instruments	—	1,438	—	1,438
Principal-protected investment deposits	—	4,802	—	4,802
	<b>22,390</b>	<b>6,240</b>	<b>—</b>	<b>28,630</b>

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Assets measured at fair value (continued)

As at 31 December 2016

	Fair value measurement using			Total US\$' 000 (Audited)
	Quoted prices in active markets (Level 1) US\$' 000 (Audited)	Significant observable inputs (Level 2) US\$' 000 (Audited)	Significant unobservable inputs (Level 3) US\$' 000 (Audited)	
Available-for-sale investments:				
Listed equity investments, at fair value	2,522	—	—	2,522
Unlisted club debentures, at fair value	558	—	—	558
Listed debt, at fair value	13,665	—	—	13,665
Derivative financial instruments	—	1,084	—	1,084
Principal-protected investment deposits	—	11,372	—	11,372
	16,745	12,456	—	29,201

### Liabilities measured at fair value

As at 30 June 2017

	Fair value measurement using			Total US\$' 000 (Unaudited)
	Quoted prices in active markets (Level 1) US\$' 000 (Unaudited)	Significant observable inputs (Level 2) US\$' 000 (Unaudited)	Significant unobservable inputs (Level 3) US\$' 000 (Unaudited)	
Derivative financial instruments	—	395	—	395

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2017

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value (continued)

As at 31 December 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) US\$' 000 (Audited)	Significant observable inputs (Level 2) US\$' 000 (Audited)	Significant unobservable inputs (Level 3) US\$' 000 (Audited)	
Derivative financial instruments	—	1	—	1

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 (six months ended 30 June 2016: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2016: Nil).

### 17. COMPARTIVE 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.

### 18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 18 August 2017.