



**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  
**2016**

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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

## HEADQUARTER IN THE PRC

No. 30, 1388 Zhangdong Road

Pudong District

Shanghai

PRC

## 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

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited  
China Merchants Bank  
Bank of China  
Bank of America  
Citibank

## AUDITORS

Ernst & Young

## LEGAL ADVISORS

### As to Hong Kong law:

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

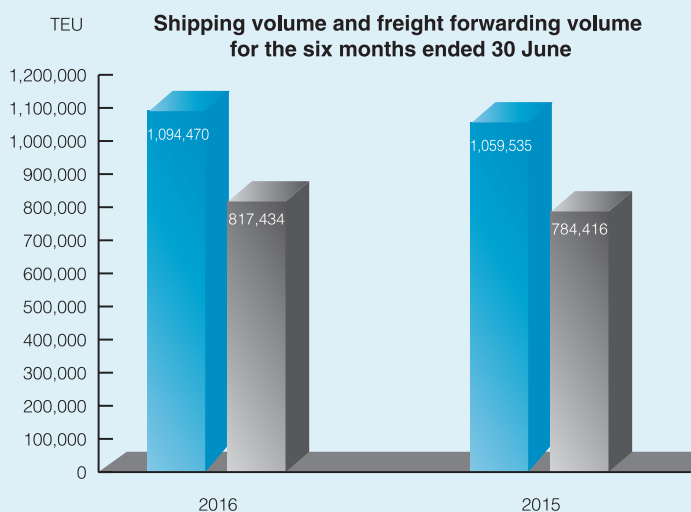
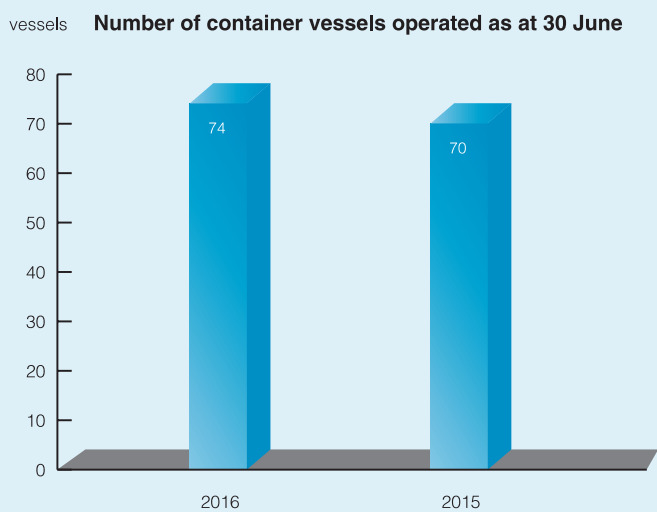
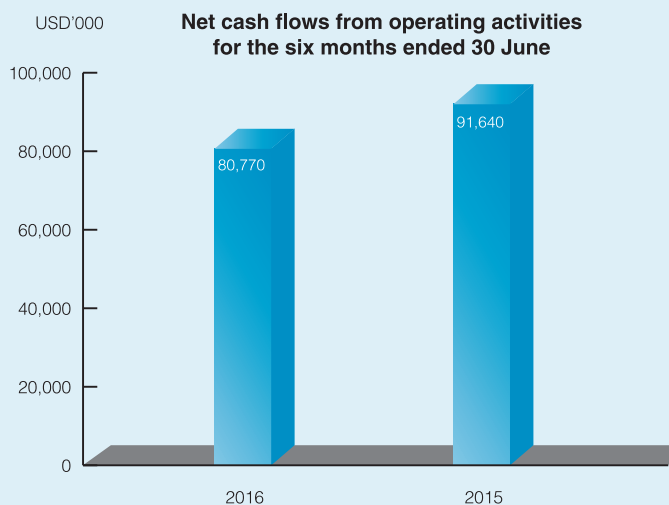
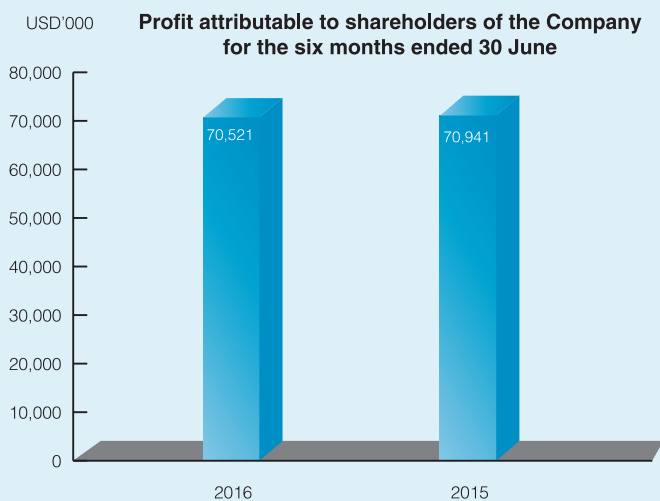
### As to Cayman Islands law:

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 International Holdings Company Limited (the “**Company**” or “**SITC**”) together with its subsidiaries (the “**Group**”) is one of Asia’s leading shipping logistics companies that provides integrated transportation and logistics solutions.

During the six months ended 30 June 2016, the Group’s sea freight logistics business continued to provide container shipping services that focus exclusively on the intra-Asia market as the Company believes that the intra-Asia trade market will continue to experience healthy growth. As of 30 June 2016, the Group operated 60 trade lanes, including 9 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements. These trade lanes covered 59 major ports in the PRC Mainland, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 30 June 2016, the Group operated a fleet of 74 vessels with a total capacity of 92,247 TEU, comprised of 46 self-owned (59,123 TEU) and 28 chartered vessels (33,124 TEU), with an average age of 8 years. 54 of these 74 vessels were of the 1,000 TEU type. For the six months ended 30 June 2016, US\$55.8 million out of US\$60.0 million of paid out capital expenditure was attributable to vessel purchases. Revenue generated by the Group’s sea freight logistics business before inter-segment elimination for the first half of 2016 decreased by approximately 7.2% from US\$504.2 million for the six months ended 30 June 2015 to US\$467.9 million for the corresponding period in 2016. The decrease was a combined effect of (i) the increase in container shipping volume from 1,059,535 TEU for the six months ended 30 June 2015 to 1,094,470 TEU for the corresponding period in 2016; and (ii) the decrease in average container shipping freight rate (excluding slot exchange fee income) from US\$428.0/TEU for six months ended 30 June 2015 to US\$397.5/TEU for the corresponding period in 2016.

The land-based logistics business is another key component of the Group’s business model, which comprised freight forwarding, shipping agency, terminal, depot and warehousing, trucking and ship brokerage businesses. As of 30 June 2016, the Group’s shipping agency and freight forwarding network covered 62 major ports and cities, including the Mainland China, Japan, Korea, Hong Kong, Vietnam, Thailand, Singapore, Philippines, Cambodia and Indonesia. The Group also operated (including through joint ventures) approximately 1,069,246 m<sup>2</sup> of depot and 90,262 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 2016 decreased by approximately 7.5% from US\$371.6 million for the six months ended 30 June 2015 to US\$343.6 million for the corresponding period in 2016. The decrease was primarily attributable to the decrease in the average freight forwarding rate for the corresponding period in 2016.

With the Group’s continuous business expansion, the Company will continue to optimize its unique business model and expand its intra-Asia service network. At the same time, the Company will continue to expand the Group’s fleet by capturing vessel price dynamics, so as to keep pace with the development of the business and secure a long-term competitive cost position. Through the above measures and together with the continuous enhancement on the Group’s information technology systems, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

# Management Discussion and Analysis

## Financial Overview

	For the six months ended 30 June							
	2016	2015	2016	2015	2016	2015	2016	2015
	Sea freight logistics		Land-based logistics		Inter-segment sales		Total	
	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000
<b>Revenue</b>	467,868	504,187	343,593	371,556	(209,055)	(224,557)	602,406	651,186
Cost of sales	(424,211)	(469,975)	(285,197)	(311,965)	209,055	224,557	(500,353)	(557,383)
<b>Gross profit</b>	43,657	34,212	58,396	59,591			102,053	93,803
Other income and gains (excluding bank interest income and other investment income)	3,125	5,934	917	968			4,042	6,902
Administrative expenses	(9,051)	(8,801)	(26,007)	(26,688)			(35,058)	(35,489)
Share of profits of:								
Joint ventures	—	—	5,528	4,822			5,528	4,822
Associates	—	—	293	406			293	406
Other expenses and losses	(2,398)	(675)	(10)	(21)			(2,408)	(696)
Segment results	35,333	30,670	39,117	39,078			74,450	69,748
Finance costs							(3,553)	(4,212)
Bank interest income and other investment income							1,952	7,896
Profit before tax							72,849	73,432
Income tax							(1,538)	(2,109)
<b>Profit for the period</b>							71,311	71,323
<b>Profit attributable to:</b>								
Shareholders of the Company							70,521	70,941
Non-controlling interests							790	382
							71,311	71,323

### Revenue

The Group's total revenue after inter-segment elimination decreased by approximately 7.5% from approximately US\$651.2 million for the six months ended 30 June 2015 to approximately US\$602.4 million for the corresponding period in 2016. The decrease was primarily attributable to the decrease in container shipping freight rate and freight forwarding rate in both of the sea freight logistics and land-based logistics businesses.

### Cost of Sales

The Group's cost of sales after inter-segment elimination decreased by approximately 10.2% from approximately US\$557.4 million for the six months ended 30 June 2015 to approximately US\$500.4 million for the corresponding period in 2016. The decrease was primarily attributable to the significant decrease in bunker cost.

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

As a result of the foregoing, the Group's gross profit increased by 8.8% from approximately US\$93.8 million for the six months ended 30 June 2015 to approximately US\$102.1 for the six months ended 30 June 2016. The Group's gross profit margin increased from approximately 14.4% for the six months ended 30 June 2015 to approximately 16.9% for the corresponding period in 2016.

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

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

### **Bank Interest Income and Other Investment Income**

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

### **Administrative Expenses**

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

### **Other Expenses and Losses**

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

### **Finance Costs**

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

### **Share of Profits of Joint Ventures**

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

### **Share of Profits of Associates**

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

### **Profit before Tax**

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

### **Income Tax Expenses**

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

### **Profit for the Period**

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



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

#### Revenue

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

#### Cost of Sales

The cost of sales of the Group's sea freight logistics business before inter-segment elimination decreased by approximately 9.7% from approximately US\$470.0 million for the six months ended 30 June 2015 to approximately US\$424.2 million for the corresponding period in 2016. The decrease was primarily attributable to the decrease in bunker cost.

#### Gross Profit

As a result of the foregoing, the Group recorded gross profit of approximately US\$43.7 million for its sea freight logistics business for the six months ended 30 June 2016, representing an increase of approximately 27.8% as compared to US\$34.2 million for the corresponding period in 2015.

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

For the six months ended 30 June 2016, the other income and gains (excluding bank interest income and other investment income) decreased to approximately US\$3.1 million for the six months ended 30 June 2016 from approximately US\$5.9 million for the corresponding period in 2015. The decrease was primarily attributable to the decrease in realised hedging gain on Japanese Yen in 2016 compared to 2015.

### Administrative Expenses

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

### Land-Based Logistics

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

	For the six months ended 30 June			
	2016		2015	
	Amount (US\$' 000)	% of segment revenue	Amount (US\$' 000)	% of segment revenue
<b>Income Statement Data:</b>				
<b>Segment revenue</b>	343,593	100.0%	371,556	100.0%
Freight forwarding and shipping agency	321,009	93.4%	351,858	94.7%
Other land-based logistics business	22,584	6.6%	19,698	5.3%
<b>Cost of Sales</b>	(285,197)	(83.0)%	(311,965)	(84.0)%
Freight forwarding and shipping agency	(269,897)	(78.6)%	(298,449)	(80.4)%
Other land-based logistics business	(15,300)	(4.5)%	(13,516)	(3.6)%
<b>Gross Profit</b>	58,396	17.0%	59,591	16.0%
Other income and gains (excluding bank interest income and investment income)	917	0.3%	968	0.3%
Administrative expenses	(26,007)	(7.6)%	(26,688)	(7.2)%
Other expenses and losses	(10)	—	(21)	—
Share of profit and losses of:				
Joint ventures	5,528	1.6%	4,822	1.3%
Associates	293	0.1%	406	0.1%
<b>Segment results</b>	39,117	11.4%	39,078	10.5%

### Other Expenses and Losses

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

### Segment Results

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

## Management Discussion and Analysis

### Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination decreased by approximately 7.5% from approximately US\$371.6 million for the six months ended 30 June 2015 to approximately US\$343.6 million for the corresponding period in 2016. This decrease was mainly attributable to the following:

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

### Cost of Sales

The cost of sales of the Group's land-based logistics business decreased by approximately 8.6% from approximately US\$312.0 million for the six months ended 30 June 2015 to approximately US\$285.2 million for the corresponding period in 2016. The decrease was mainly a combined effect of the following:

- *Freight forwarding and shipping agency.* Cost of sales of freight forwarding and shipping agency business decreased by approximately 9.6% from approximately US\$298.4 million for the six months ended 30 June 2015 to approximately US\$269.9 million for the corresponding period in 2016, primarily reflecting a decrease in the Group's average per unit freight forwarding cost.

- *Other land-based logistics businesses.* Cost of sales of the Group's other land-based logistics business increased by approximately 13.3% from approximately US\$13.5 million for the six months ended 30 June 2015 to approximately US\$15.3 million for the corresponding period in 2016. This increase was consistent with the growth of the operation scale.

### Gross Profit and Gross Profit Margin

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

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

Other income and gains (excluding bank interest income and other investment income) of the Group's land-based business was US\$0.9 million and US\$1.0 million for the six months ended 30 June 2016 and 2015, respectively. There was no material difference in the balance.

### Administrative Expenses

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

### Other Expenses and Losses

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

### Share of Profits of Joint Ventures

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

### Share of Profits of Associates

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

### Segment Results

As a result of the foregoing, the segment results of the Group's land-based logistics business was approximately US\$39.1 million for the six months ended 30 June in 2015 and 2016. There was no material change in the amount.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by approximately 0.8% from approximately US\$1,377.4 million as at 31 December 2015 to approximately US\$1,387.8 million as at 30 June 2016. As at 30 June 2016, the Group had cash and cash equivalents amounting to approximately US\$200.0 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 5.7% from approximately US\$522.1 million as at 31 December 2015 to approximately US\$551.7 million as at 30 June 2016. At 30 June 2016, the Group had secured and unsecured interest-bearing bank loans of approximately US\$391.6 million and US\$10.3 million, respectively. The maturity profile is spread over a period, with approximately US\$67.4 million repayable within one year or on demand, approximately US\$53.0 million within the second year, approximately US\$149.6 million within third to fifth years and approximately US\$131.9 million beyond five years.

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

As at 30 June 2016, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.6 compared to that of 1.8 as at 31 December 2015. The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. Net debt includes interest-bearing bank borrowings, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 29% and 22% as at 30 June 2016 and 31 December 2015, respectively.

## CONTINGENT LIABILITIES

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

## CHARGE ON ASSETS

As at 30 June 2016, the Group's bank loans were secured by mortgages over the Group's container vessels and dry-bulk vessels which had an aggregate carrying value at the end of the reporting period of approximately US\$638.5 million (31 December 2015: US\$578.4 million).

## Management Discussion and Analysis

### EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2016, the Group had an aggregate of 1,976 full-time employees (30 June 2015: 1,953). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$39.8 million (30 June 2015: US\$34.7 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group adopted the pre-IPO share option scheme and post-IPO share option scheme on 10 September 2010. Further information of those share option schemes will be available in the interim report of the Company.

### SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2016, the Group did not have any significant investments.

### MATERIAL ACQUISITIONS AND DISPOSALS

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

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## Other Information

### INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the “**Board**”) held on Friday, 19 August 2016, the Board has resolved to declare an interim dividend of HK10 cents (equivalent to US1.29 cents) (six months ended 30 June 2015: nil) per share for the six months ended 30 June 2016 to shareholders whose name appear on the Register of Members of the Company at the close of business at 4:30 p.m on Friday, 2 September 2016. The dividend is expected to be paid on Wednesday, 14 September 2016.

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

### 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 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 (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 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 2016:

<b>Grantee and position</b>	<b>Date of grant of options</b>	<b>Number of options outstanding as at 1 January 2016</b>	<b>Number of options granted during the period</b>	<b>Number of options exercised/ cancelled/ lapsed during the period</b>	<b>Number of options not yet exercised on 30 June 2016</b>	<b>Approximate percentage of shareholding upon the exercise of the options</b>
<b>Executive Director</b>						
YANG Shaopeng	10 March 2015	1,000,000	—	—	1,000,000	0.04%
YANG Xianxiang	10 March 2015	1,000,000	—	—	1,000,000	0.04%
LIU Kecheng	25 October 2011	300,000	—	—	300,000	
	10 March 2015	400,000	—	—	400,000	0.03%
XUE Peng	25 October 2011	300,000	—	—	300,000	
	10 March 2015	400,000	—	—	400,000	0.03%
LAI Zhiyong	25 October 2011	100,000	—	—	100,000	
	10 March 2015	600,000	—	—	600,000	0.03%
XUE Mingyuan	25 October 2011	500,000	—	—	500,000	
	10 March 2015	600,000	—	—	600,000	0.04%
<b>Independent non-executive Director</b>						
TSUI Yung Kwok	10 March 2015	400,000	—	—	400,000	0.02%
YEUNG Kwok On	10 March 2015	400,000	—	—	400,000	0.02%
LO Wing Yan, William	10 March 2015	400,000	—	—	400,000	0.02%
NGAI Wai Fung	25 October 2011	400,000	—	—	400,000	
	10 March 2015	400,000	—	—	400,000	0.03%
<b>Others</b>						
Other employees	25 October 2011	3,118,000	—	10,000	3,108,000	
	10 March 2015	8,050,000	—	—	8,050,000	0.43%
<b>Total</b>		<b>18,368,000</b>	<b>—</b>	<b>10,000</b>	<b>18,358,000</b>	<b>0.70%</b>

On 25 October 2011, the Company granted a total of 11,600,000 share options pursuant to the Post-IPO Share Option Scheme with an exercise price of HK\$1.968 per share and shall be exercisable from 25 October 2012 to 25 October 2021. The closing price of the Share immediately before the date of grant of such share options was HK1.960. On 10 March 2015, the Company granted a total of 13,800,000 share options pursuant to the Post-IPO Share Option Scheme with an exercise price of HK\$4.378 per share and shall be exercisable from 10 March 2016 to 10 March 2025. The closing price of the Shares immediately before the date of grant of such share options was HK4.35.

As at 30 June 2016, the Company had 18,358,000 share options outstanding under the Post-IPO Share Option Scheme, which represented approximately 0.70% of the Shares of the Company in issue as at 30 June 2016.

## 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 2016:

Grantee and position	Date of grant of options	Number of options outstanding as at 1 January 2016	Number of options exercised/ cancelled/ lapsed during the period	Number of options not yet exercised on 30 June 2016	Approximate percentage of shareholding upon the exercise of the options
<b>Executive Director</b>					
LIU Kecheng	10 September 2010	800,000	—	800,000	0.03%
XUE Peng	10 September 2010	800,000	—	800,000	0.03%
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	45,149,000	228,000	44,921,000	1.72%
<b>Total</b>		47,749,000	228,000	47,521,000	1.82%



## Other Information

As at 30 June 2016, the Company had 47,521,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.82% of the Shares of the Company in issue as at 30 June 2016.

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 2016, 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)	52.66%
	Beneficial Owner	9,619,000 (L)	0.37%
YANG Xianxiang	Beneficial Owner	7,220,000 (L)	0.28%
XUE Peng <sup>(3)</sup>	Settlor of the Xue Trust	12,866,176 (L)	0.49%
LAI Zhiyong <sup>(4)</sup>	Beneficiary of the Go Thrive Trust	3,037,847 (L)	0.12%
	Beneficial Owner	185,000 (L)	0.007%
XUE Mingyuan <sup>(4)</sup>	Beneficiary of the Go Thrive Trust	1,906,100 (L)	0.07%
TSUI Yung Kwok	Beneficial Owner	400,000 (L)	0.02%
YEUNG Kwok On	Beneficial Owner	301,000 (L)	0.01%

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 Cayman Islands. 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	Number of Shares	Number of Shares	Approximate
		in the Company subject to options under the Pre-IPO Share Option Scheme	in the Company subject to options under the Post-IPO Share Option Scheme	percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme (Note)
YANG Shaopeng	Beneficial owner	—	1,000,000	0.04%
YANG Xianxiang	Beneficial owner	—	1,000,000	0.04%
LIU Kecheng	Beneficial owner	800,000	700,000	0.06%
XUE Peng	Beneficial owner	800,000	700,000	0.06%
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	—	400,000	0.02%
YEUNG Kwok On	Beneficial owner	—	400,000	0.02%
LO Wing Yan, William	Beneficial owner	—	400,000	0.02%
NGAI Wai Fung	Beneficial owner	—	800,000	0.03%

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 52.66% 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 Cayman Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) Resourceful Link is interested in approximately 52.66% 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 Cayman Islands. 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 52.66% of the issued share capital of the Company. Yicheng Investments 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 Cayman Islands. 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 2016, 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>(2)</sup>	Beneficiary of the Pengli Trust	1,375,390,231 (L)	52.66%
Resourceful Link <sup>(3)</sup>	Beneficial owner	1,375,390,231 (L)	52.66%
Better Master <sup>(3)</sup>	Interest in controlled corporation	1,375,390,231 (L)	52.66%
UBS Trustees (B.V.I.) Limited <sup>(3)</sup>	Trustee	1,375,390,231 (L)	52.66%

## Other Information

### Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) 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.
- (3) 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 Cayman Islands by certain of the Directors to hold their family interests in the Company.

### 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 six months ended 30 June 2016, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") 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 2016.

### 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. 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 2016.

### PURCHASE, SALE AND RE-PURCHASE OF SHARES

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

### 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 2016.

### 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 2016.

### PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to 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*

19 August 2016

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

For the six months ended 30 June 2016

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

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

For the six months ended 30 June 2016

	Note	For the six months ended 30 June	
		2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF INCOME TAX			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period		(33,804)	2,987
Reclassification adjustments for (gains)/losses included in consolidated profit or loss		144	(1,761)
		(33,660)	1,226
Changes in fair value of available-for-sale investments		296	827
Exchange differences on translation of foreign operations		(2,999)	295
Share of other comprehensive income/(loss) of joint ventures		45	(60)
Share of other comprehensive loss of associates		(224)	(4)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		(36,542)	2,284
OTHER COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD, NET OF INCOME TAX		(36,542)	2,284
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		34,769	73,607
Profit during the period attributable to:			
Shareholders of the Company		70,521	70,941
Non-controlling interests		790	382
		71,311	71,323
Total comprehensive income during the period attributable to:			
Shareholders of the Company		34,099	73,238
Non-controlling interests		670	369
		34,769	73,607
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic (US cents per share)		2.70	2.73
Diluted (US cents per share)		2.70	2.71

# Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	949,576	914,543
Prepaid land lease payments		18,937	19,671
Advance payments for acquisition of property, plant and equipment		8,030	11,181
Goodwill		1,063	1,091
Investments in joint ventures		26,005	29,690
Investments in associates		10,931	10,911
Available-for-sale investments		17,944	6,579
Derivative financial instruments		—	127
Total non-current assets		1,032,486	993,793
<b>CURRENT ASSETS</b>			
Bunkers		11,286	10,744
Trade receivables	10	64,094	57,111
Prepayments, deposits and other receivables		21,694	31,500
Due from related companies		194	201
Derivative financial instruments		—	29
Principal-protected investment deposits		57,955	4,620
Cash and cash equivalents		200,047	279,443
Total current assets		355,270	383,648
<b>CURRENT LIABILITIES</b>			
Trade payables	11	104,290	122,383
Other payables and accruals		39,248	39,889
Due to related companies		1,135	2,478
Derivative financial instruments		3,120	619
Bank borrowings		67,357	45,863
Income tax payables		1,840	2,094
Total current liabilities		216,990	213,326
<b>NET CURRENT ASSETS</b>		138,280	170,322
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,170,766	1,164,115



## Condensed Consolidated Statement of Financial Position (continued)

30 June 2016

	Note	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,170,766</b>	1,164,115
NON-CURRENT LIABILITIES			
Derivative financial instruments		<b>213</b>	50
Bank borrowings		<b>334,543</b>	308,716
Total non-current liabilities		<b>334,756</b>	308,766
Net assets		<b>836,010</b>	855,349
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	<b>33,678</b>	33,675
Reserves		<b>795,369</b>	814,767
		<b>829,047</b>	848,442
Non-controlling interests		<b>6,963</b>	6,907
Total equity		<b>836,010</b>	855,349

# Condensed Consolidated Statement of Changes in Equity

For the 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	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 2015	33,378	350,184	202	(7,362)	4,139	(463)	4,597	2,745	22,580	(121)	4,767	376,287	790,833	6,261	797,194
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	70,941	70,941	382	71,323
Other comprehensive income for the period:															
Changes in fair value of available-for-sale investments, net of income tax	—	—	—	—	—	—	—	—	—	827	—	—	827	—	827
Cash flow hedges, net of income tax	—	—	—	—	—	—	—	—	1,226	—	—	—	1,226	—	1,226
Exchange differences on transition of foreign operations	—	—	—	—	—	—	—	—	—	—	308	—	308	(13)	295
Share of other comprehensive loss of:															
– Joint ventures	—	—	—	—	—	—	—	—	—	—	(60)	—	(60)	—	(60)
– Associates	—	—	—	—	—	—	—	—	—	—	(4)	—	(4)	—	(4)
Total comprehensive income for the period	—	—	—	—	—	—	—	—	1,226	827	244	70,941	73,238	369	73,607
Issue of shares (note 12)	288	10,798	—	—	—	—	—	(881)	—	—	—	—	10,205	—	10,205
Transfer to PRC reserve funds	—	—	—	—	181	—	—	—	—	—	—	(181)	—	—	—
Final 2014 dividend paid	—	—	—	—	—	—	—	—	—	—	—	(40,424)	(40,424)	—	(40,424)
Dividends paid to non-controlling equity holders	—	—	—	—	—	—	—	—	—	—	—	—	—	(391)	(391)
Transfer of share option reserve upon forfeiture and/or expiry of share options	—	—	—	—	—	—	—	(12)	—	—	—	12	—	—	—
Equity-settled share option arrangements	—	—	—	—	—	—	—	536	—	—	—	—	536	—	536
At 30 June 2015	33,666	360,982	202	(7,362)	4,320	(463)	4,597	2,388	23,806	706	5,011	406,635	834,488	6,239	840,727

## Condensed Consolidated Statement of Changes in Equity (continued)

For the 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	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 equity (Unaudited) US\$ '000	Non-controlling interests (Unaudited) US\$ '000
At 1 January 2016	33,675	361,317*	202*	(7,362)*	4,327*	(463)*	4,397*	3,140*	6,860*	(50)*	(3,050)*	445,246*	848,442	6,907	855,349
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	70,521	70,521	790	71,311
Other comprehensive income for the period:															
Changes in fair value of available-for-sale investments, net of income tax	—	—	—	—	—	—	—	—	296	—	—	—	296	—	296
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)	296	(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-IPO share option scheme (note 12)	3	115	—	—	—	—	—	(6)	—	—	—	—	112	—	112
Issue of shares upon exercise of share options under post-IPO share option scheme (note 12)	—	4	—	—	—	—	—	(1)	—	—	—	—	3	—	3
Share option expense	—	—	—	—	—	—	—	487	—	—	—	—	487	—	487
Transfer to PRC reserve funds	—	—	—	—	(65)	—	—	—	—	—	—	55	—	—	—
Dividends paid to non-controlling equity holders	—	—	—	—	—	—	—	—	—	—	—	—	—	(774)	(774)
Final 2015 dividend paid	—	—	—	—	—	—	—	—	—	—	(54,096)	—	(54,096)	—	(54,096)
At 30 June 2016	33,678	361,436*	202*	(7,362)*	4,272*	(463)*	4,397*	3,620*	(28,800)*	246*	(6,108)*	461,729*	829,047	6,963	836,010

\* These reserve accounts comprise the consolidated reserves of US\$795,369,000 (unaudited) (31 December 2015: US\$814,767,000) in the condensed consolidated statement of financial position as at 30 June 2016.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	84,879	94,964
Interest income received	1,285	4,693
Interest paid	(3,530)	(4,254)
Hong Kong profits tax refund/(paid)	97	(34)
Overseas tax paid	(1,961)	(3,729)
Net cash flows from operating activities	80,770	91,640
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(51,957)	(104,110)
Advance payments for acquisition of property, plant and equipment	(8,030)	(12,824)
Investment in a joint venture	(94)	—
Acquisition of subsidiaries	160	—
Proceeds from sale of principal-protected investment deposits	66,357	—
Purchase of principal-protected investment deposits	(119,692)	—
Purchase of listed debt investment	(11,069)	—
Decrease/(increase) in non-pledged time deposits with original maturity of over three months but less than one year when acquired	118,105	(64,548)
Decrease in non-pledged time deposits with original maturity of over one year when acquired	3,500	53,633
Dividends received from joint ventures	2,044	3,645
Dividends received from associates	49	—
Other cash flows from investing activities, net	196	703
Net cash flows used in investing activities	(431)	(123,501)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank borrowings	89,695	92,411
Repayment of bank borrowings	(72,441)	(153,700)
Dividends paid	(54,096)	(40,424)
Dividends paid to non-controlling equity holders	(1,548)	(391)
Other cash flows from financing activities, net	115	10,205
Net cash flows used in financing activities	(38,275)	(91,899)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>42,064</b>	<b>(123,760)</b>

## Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>42,064</b>	(123,760)
Cash and cash equivalents at beginning of period	<b>157,748</b>	174,973
Effect of foreign exchange rate changes, net	<b>145</b>	(226)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>199,957</b>	50,987
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>43,728</b>	44,711
Non-pledged time deposits with original maturity of less than three months when acquired	<b>156,229</b>	6,276
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>199,957</b>	50,987
Non-pledged time deposits with original maturity of over three months when acquired	<b>90</b>	75,683
Non-pledged time deposits with original maturity of over one year when acquired	—	188,506
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>200,047</b>	315,176

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

## 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.

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

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 2015.

### 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 2015, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

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

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

## 1.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

## 2. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment liabilities exclude bank borrowings, derivative financial instruments, income tax payables and other unallocated corporate liabilities as 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)

### Segment results for the six months ended 30 June 2016

	Sea freight logistics US\$' 000 (Unaudited)	Land-based logistics US\$' 000 (Unaudited)	Total US\$' 000 (Unaudited)
<b>Segment revenue:</b>			
Sales to external customers	274,935	327,471	602,406
Intersegment sales	192,933	16,122	209,055
	<b>467,868</b>	<b>343,593</b>	<b>811,461</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(209,055)
Revenue			<b>602,406</b>
<b>Segment results</b>	<b>35,333</b>	<b>39,117</b>	<b>74,450</b>
<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			<b>72,849</b>
<b>Segment assets and liabilities as at 30 June 2016</b>			
<b>Segment assets</b>	<b>940,069</b>	<b>237,248</b>	<b>1,177,317</b>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(33,908)
Corporate and other unallocated assets			244,347
Total assets			<b>1,387,756</b>
<b>Segment liabilities</b>	<b>93,334</b>	<b>79,787</b>	<b>173,121</b>
<i>Reconciliation:</i>			
Elimination of intersegment payables			(33,908)
Corporate and other unallocated liabilities			412,533
Total liabilities			<b>551,746</b>



## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

### 2. OPERATING SEGMENT INFORMATION (continued)

#### Segment results for the six months ended 30 June 2015

	Sea freight logistics US\$' 000 (Unaudited)	Land-based logistics US\$' 000 (Unaudited)	Total US\$' 000 (Unaudited)
<b>Segment revenue:</b>			
Sales to external customers	294,959	356,227	651,186
Intersegment sales	209,228	15,329	224,557
	<u>504,187</u>	<u>371,556</u>	<u>875,743</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(224,557)</u>
Revenue			<u>651,186</u>
<b>Segment results</b>	<u>30,670</u>	<u>39,078</u>	<u>69,748</u>
<i>Reconciliation:</i>			
Bank interest income			583
Interest income on principal-protected investment deposits			7,313
Finance costs			<u>(4,212)</u>
Profit before tax			<u>73,432</u>
<b>Segment assets and liabilities as at 31 December 2015</b>			
<b>Segment assets</b>	<u>901,024</u>	<u>271,779</u>	<u>1,172,803</u>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(112,654)
Corporate and other unallocated assets			<u>317,292</u>
Total assets			<u>1,377,441</u>
<b>Segment liabilities</b>	<u>97,534</u>	<u>173,928</u>	<u>271,462</u>
<i>Reconciliation:</i>			
Elimination of intersegment payables			(112,654)
Corporate and other unallocated liabilities			<u>363,284</u>
Total liabilities			<u>522,092</u>

### 3. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
<b>Other income</b>		
Bank interest income	1,037	583
Interest income on		
– principal-protected investment deposits	726	7,313
– listed debt investment	189	—
Government subsidies*	2,374	3,282
Others	12	159
	<b>4,338</b>	<b>11,337</b>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment, net	30	119
Fair value gains of derivative instruments – transactions not qualifying as hedges, net	—	1,005
Fair value gains of cash flow hedges (transfer from equity), net	—	1,761
Realised gain on settlement of derivative financial instruments	984	576
Gain on disposal of a subsidiary	18	—
Other foreign exchange gains, net	624	—
	<b>1,656</b>	<b>3,461</b>
Other income and gains, net	<b>5,994</b>	<b>14,798</b>

\* 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 2016

### 4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
Costs of services provided:		
Cost of bunkers consumed	43,718	80,510
Others	352,045	365,694
	<b>395,763</b>	446,204
Depreciation	26,554	19,028
Recognition of prepaid land lease payments	239	252
Foreign exchange differences, net	(624)	646*
Fair value losses/(gains) on derivative instruments for transactions not qualifying as hedges, net	2,235*	(1,005)
Fair value losses on cash flow hedges (transfer from equity), net	144*	—

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

### 5. FINANCE COSTS

Finance costs are interest on bank borrowings.

## 6. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The share of income tax attributable to joint ventures and associates for the six months ended 30 June 2016 amounting to US\$1,605,000 and tax credit of US\$3,600 (six months ended 30 June 2015: the share of income tax attributable to joint ventures and associates amounting to US\$1,563,000 and US\$12,000) are included in "Share of profits and losses of joint ventures" and "Share of profits and losses of associates", respectively, in the condensed consolidated statement of profit or loss and other comprehensive income.

## 7. INTERIM DIVIDEND

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

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to shareholders of the Company, and the weighted average number of ordinary shares of 2,611,880,291 (six months ended 30 June 2015: 2,599,895,724) in issue during the period.

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

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

	For the six months ended 30 June	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
<b>Earnings</b>		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<b>70,521</b>	70,941
	Number of shares For the six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<b>2,611,880,291</b>	2,599,895,724
Effect of dilution - weighted average number of ordinary shares:		
Share options	<b>2,270,973</b>	14,878,610
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	<b>2,614,151,264</b>	2,614,774,334

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment at a total cost of US\$51,659,000 (six months ended 30 June 2015: US\$183,529,000) and disposed of items of property, plant and equipment with an aggregate carrying amount of US\$11,276,000 (six months ended 30 June 2015: US\$77,943,000).

## 10. TRADE RECEIVABLES

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

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

	<b>30 June 2016 US\$' 000 (Unaudited)</b>	31 December 2015 US\$' 000 (Audited)
Within 1 month	<b>54,631</b>	45,410
1 to 2 months	<b>5,795</b>	7,794
2 to 3 months	<b>2,289</b>	2,905
Over 3 months	<b>1,379</b>	1,002
	<b>64,094</b>	57,111

Included in the Group's trade receivables are amounts due from the Group's joint ventures and associates of US\$9,017,000 (31 December 2015: US\$6,826,000) and US\$5,619,000 (31 December 2015: US\$11,000), respectively. All of the above amounts are repayable on credit terms similar to those offered to the major customers of the Group.

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

### 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 2016 US\$' 000 (Unaudited)</b>	31 December 2015 US\$' 000 (Audited)
Within 1 month	<b>88,546</b>	101,693
1 to 2 months	<b>10,459</b>	13,426
2 to 3 months	<b>1,818</b>	2,589
Over 3 months	<b>3,467</b>	4,675
	<b>104,290</b>	122,383

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

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

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

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

### 12. SHARE CAPITAL

	<b>30 June 2016</b>		31 December 2015	
	<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:				
2,612,041,000 (31 December 2015: 2,611,803,000) ordinary shares of HK\$0.1 each	<b>261,204</b>	<b>33,678</b>	261,180	33,675

## 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 2016	2,611,803,000	261,180	33,675
Issue of new shares upon exercise of share options (note)	238,000	24	3
At 30 June 2016	2,612,041,000	261,204	33,678

Note: (a) The subscription rights attaching to 228,000 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 228,000 share of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$872,000 (equivalent to approximately US\$112,000). An amount of US\$6,000 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 10,000 share options issued under the post-IPO share option scheme were exercised at the subscription price of HK\$1.968 per share, resulting in the issue of 10,000 shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$20,000 (equivalent to approximately US\$2,600). An amount of US\$1,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

## 13. CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2016 (as at 31 December 2015: US\$40,000,000) in total, which are contracted, but not provided for, in respect of acquisition of vessels at the end of the reporting period.

## 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 2016

### 15. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
Companies controlled by the Controlling Shareholder:		
Freight forwarding services income for marine transportation	7,394	8,122
Shipping agency fee expenses	776	474
Vessel management income	35	30
Vessel rental expenses	1,025	569
Joint ventures:		
Container marine transportation services income	77,279	81,916
Freight forwarding services income for marine transportation	433	1,367
Warehousing expenses	6,228	4,159
Warehousing income	313	—
Land and building rental income	818	627
Shipping agency expenses	—	1,806
Custom service income	23	—
Freight forwarding services expenses	1,072	1,789
Technology outsourcing services income	192	—
Associates:		
Container marine transportation services income	49,986	39,430
Land and building rental income	—	1
Shipping agency fee expenses	497	379
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	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
Short term employee benefits	2,303	971
Post-employment benefits	33	33
Equity-settled share option expense	200	536
Total compensation paid to key management	2,536	1,540

- (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.

- (d) Other transactions with related parties

On 28 June 2016, the Group entered into the Sale and Purchase Agreement with SITC Shipping Group Company Limited ("SITC Shipping"), a wholly-owned subsidiary of SITC Maritime Group Company Limited ("**Qingdao SITC**"). Qingdao SITC is a company in which 62.5% interest is owned by Ms. Liu Rongli, the spouse of the Controlling Shareholder.

Pursuant to which the Group agreed to transfer the Sale Shares, representing the entire issued share capital of Hai Lian Shipping, a formerly wholly-owned subsidiary of the Group, to SITC Shipping.

Upon Completion, Hai Lian Shipping will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial results of the Group. Upon Completion, SITC Shipping will hold the entire issued share capital of Hai Lian Shipping, which owns the legal title of the vessel "SITC Ningbo", the vessel used by the Group for operating the mainland China-Taiwan route.

Further, on 28 June 2016, the Group entered into the Bareboat Charter Agreement with Hai Lian Shipping, pursuant to which Hai Lian Shipping agreed to lease the vessel "SITC Ningbo" to the Group for a term of 10 years commencing from the date of the Bareboat Charter Agreement.

# Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

## 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.

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 2016 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.

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

### 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 2016

	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	2,398	—	—	2,398
Unlisted club debentures, at fair value	558	—	—	558
Listed debt instruments, at fair value	14,308	—	—	14,308
	<b>17,264</b>	—	—	<b>17,264</b>

As at 31 December 2015

	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	2,365	—	—	2,365
Unlisted club debentures, at fair value	558	—	—	558
Listed debt instruments, at fair value	2,976	—	—	2,976
Derivative financial instruments	—	156	—	156
	<b>5,899</b>	<b>156</b>	—	<b>6,055</b>

## Notes to the Condensed Consolidated Interim Financial Statements

30 June 2016

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

Liabilities measured at fair value

As at 30 June 2016

	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	—	3,333	—	3,333

As at 31 December 2015

	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)	
Derivative financial instruments	—	669	—	669

During the period, there were no transfer of fair value measurements between Level 1 and Level 2 (six months ended 30 June 2015: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2015: Nil).

### 17. COMPARATIVE AMOUNTS

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

### 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 19 August 2016.