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SITC International Holdings Company Limited

海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1308)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Highlights

- Revenue for the year ended 31 December 2016 was approximately US\$1,215.8 million, decreased by 5.6% as compared to approximately US\$1,288.1 million* for the year ended 31 December 2015.
- Gross profit increased by 7.5% from approximately US\$185.6 million* for the year ended 31 December 2015 to approximately US\$199.5 million for the year ended 31 December 2016, which translated to an increase in gross profit margin to 16.4% for the year ended 31 December 2016 from 14.4% for the year ended 31 December 2015.
- Profit for the year ended 31 December 2016 decreased by 13.9% to approximately US\$124.2 million from approximately US\$144.2 million for the year ended 31 December 2015.
- Basic earnings per share for the year ended 31 December 2016 amounted to US4.70 cents (2015: US5.50 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of SITC International Holdings Company Limited (“**SITC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below.

* *Restated data for year 2015, excluding freight income tax. Further details about the restatement are set out in note 11 to this financial information.*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 December 2016

	<i>Notes</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i> <i>(Restated)</i>
REVENUE	3	1,215,791	1,288,055
Cost of sales		<u>(1,016,256)</u>	<u>(1,102,463)</u>
Gross profit		199,535	185,592
Other income and gains, net	3	8,797	39,476
Administrative expenses		(68,801)	(74,114)
Other expenses, net		(13,933)	(1,030)
Finance costs	5	(6,872)	(8,532)
Share of profits and losses of:			
Joint ventures		11,504	9,913
Associates		<u>442</u>	<u>617</u>
PROFIT BEFORE TAX	4	130,672	151,922
Income tax	6	<u>(6,434)</u>	<u>(7,772)</u>
PROFIT FOR THE YEAR		<u>124,238</u>	<u>144,150</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (continued)**
Year ended 31 December 2016

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	<u>325</u>	<u>71</u>
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	(5,910)	3,240
Reclassification adjustments for losses/(gains) included in profit or loss	<u>1,838</u>	<u>(18,960)</u>
	(4,072)	(15,720)
Exchange differences on translation of foreign operations	(87)	(6,566)
Share of other comprehensive loss of joint ventures	(1,673)	(1,088)
Share of other comprehensive loss of associates	<u>(732)</u>	<u>(505)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(6,239)</u>	<u>(23,808)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	<u>(6,239)</u>	<u>(23,808)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>117,999</u></u>	<u><u>120,342</u></u>
Profit for the year attributable to:		
Shareholders of the Company	122,790	143,247
Non-controlling interests	<u>1,448</u>	<u>903</u>
	<u><u>124,238</u></u>	<u><u>144,150</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (continued)**
Year ended 31 December 2016

	<i>Note</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Total comprehensive income for the year attributable to:			
Shareholders of the Company		116,953	119,781
Non-controlling interests		<u>1,046</u>	<u>561</u>
		<u>117,999</u>	<u>120,342</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic (US cents per share)		<u>4.70</u>	<u>5.50</u>
Diluted (US cents per share)		<u>4.69</u>	<u>5.48</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Note</i>	2016	2015
		<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		925,749	914,543
Prepaid land lease payments		17,928	19,671
Advance payments for acquisition of property, plant and equipment		—	11,181
Goodwill		1,019	1,091
Prepayments		1,057	1,061
Investments in joint ventures		31,268	29,690
Investments in associates		10,610	10,911
Available-for-sale investments		16,745	6,579
Derivative financial instruments		<u>179</u>	<u>127</u>
Total non-current assets		<u>1,004,555</u>	<u>994,854</u>
CURRENT ASSETS			
Bunkers		13,749	10,744
Trade receivables	9	59,379	57,111
Prepayments, deposits and other receivables		12,610	30,439
Due from related companies		111	201
Principal-protected investment deposits at fair value through profit or loss		11,372	—
Held-to-maturity investments		—	4,620
Derivative financial instruments		905	29
Cash and bank balances		<u>352,957</u>	<u>279,443</u>
Total current assets		<u>451,083</u>	<u>382,587</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**31 December 2016**

	<i>Note</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
CURRENT LIABILITIES			
Trade payables	10	118,278	122,383
Other payables and accruals		39,513	39,889
Due to related companies		29	2,478
Derivative financial instruments		1	619
Bank borrowings		63,712	45,863
Income tax payables		<u>1,006</u>	<u>2,094</u>
Total current liabilities		<u>222,539</u>	<u>213,326</u>
NET CURRENT ASSETS		<u>228,544</u>	<u>169,261</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,233,099</u>	<u>1,164,115</u>
NON-CURRENT LIABILITIES			
Derivative financial instruments		—	50
Bank borrowings		<u>345,859</u>	<u>308,716</u>
Total non-current liabilities		<u>345,859</u>	<u>308,766</u>
Net assets		<u>887,240</u>	<u>855,349</u>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		33,713	33,675
Reserves		<u>846,284</u>	<u>814,767</u>
		879,997	848,442
Non-controlling interests		<u>7,243</u>	<u>6,907</u>
Total equity		<u>887,240</u>	<u>855,349</u>

NOTES

1.1 BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention, except for derivative financial instruments, principal-protected investment deposits at fair value through profit or loss and certain available-for-sale investments, which have been measured at fair value. This financial information is presented in the United States dollars (the “US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial information.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations 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>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group’s financial information, the nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
 - (i) the materiality requirements in HKAS 1;

- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial information.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:
 - *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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 in Asia.

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

Year ended 31 December 2016

	Sea freight logistics	Land-based logistics	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Segment revenue:			
Sales to external customers	540,989	674,802	1,215,791
Intersegment sales	<u>427,737</u>	<u>32,153</u>	<u>459,890</u>
	<u>968,726</u>	<u>706,955</u>	1,675,681
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(459,890)</u>
Revenue			<u>1,215,791</u>
Segment results	<u>53,033</u>	<u>79,770</u>	132,803
<i>Reconciliation:</i>			
Bank interest income			3,543
Interest income on available-for-sale listed debt investments			477
Interest income on held-to-maturity investments			483
Interest income on principal-protected investments			137
Dividend income from available-for-sale equity investments			101
Finance costs			<u>(6,872)</u>
Profit before tax			<u>130,672</u>
At 31 December 2016			
Segment assets	<u>908,570</u>	<u>281,135</u>	1,189,705
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(141,755)
Corporate and other unallocated assets			<u>407,688</u>
Total assets			<u>1,455,638</u>

	Sea freight logistics <i>US\$'000</i>	Land-based logistics <i>US\$'000</i>	Total <i>US\$'000</i>
At 31 December 2016			
Segment liabilities	<u>108,474</u>	<u>184,823</u>	293,297
<i>Reconciliation:</i>			
Elimination of intersegment payables			(141,755)
Corporate and other unallocated liabilities			<u>416,856</u>
Total liabilities			<u>568,398</u>
Year ended 31 December 2016			
Other segment information:			
Share of profits and losses of:			
Joint ventures	—	11,504	11,504
Associates	—	442	442
Depreciation	49,054	4,652	53,706
Recognition of prepaid land lease payments	—	471	471
Gain on disposal of items of property, plant and equipment, net	18	20	38
Impairment of items of property, plant and equipment	6,600	—	6,600
Impairment of available-for-sale investments	—	680	680
Reversal of impairment of trade receivables, net	—	91	91
Investments in joint ventures	—	31,268	31,268
Investments in associates	—	10,610	10,610
Capital expenditure*	<u>60,416</u>	<u>4,268</u>	<u>64,684</u>

* Capital expenditure consists of additions to property, plant and equipment.

Year ended 31 December 2015

	Sea freight logistics <i>US\$'000</i> <i>(Restated)</i>	Land-based logistics <i>US\$'000</i>	Total <i>US\$'000</i> <i>(Restated)</i>
Segment revenue:			
Sales to external customers	576,369	711,686	1,288,055
Intersegment sales	<u>413,899</u>	<u>31,408</u>	<u>445,307</u>
	<u>990,268</u>	<u>743,094</u>	1,733,362
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(445,307)</u>
Revenue			<u>1,288,055</u>
Segment results	<u>68,645</u>	<u>80,389</u>	149,034
<i>Reconciliation:</i>			
Bank interest income			8,114
Interest income on held-to-maturity investments			3,306
Finance costs			<u>(8,532)</u>
Profit before tax			<u>151,922</u>
At 31 December 2015			
Segment assets	<u>901,024</u>	<u>271,779</u>	1,172,803
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(112,654)
Corporate and other unallocated assets			<u>317,292</u>
Total assets			<u>1,377,441</u>

	Sea freight logistics <i>US\$'000</i>	Land-based logistics <i>US\$'000</i>	Total <i>US\$'000</i>
At 31 December 2015			
Segment liabilities	<u>97,534</u>	<u>173,928</u>	271,462
<i>Reconciliation:</i>			
Elimination of intersegment payables			(112,654)
Corporate and other unallocated liabilities			<u>363,284</u>
Total liabilities			<u>522,092</u>
Year ended 31 December 2015			
Other segment information:			
Share of profits and losses of:			
Joint ventures	—	9,913	9,913
Associates	—	617	617
Depreciation	40,229	1,740	41,969
Recognition of prepaid land lease payments	—	497	497
Gain on disposal of items of property, plant and equipment, net	122	13	135
Impairment of trade receivables	110	2	112
Investments in joint ventures	—	29,690	29,690
Investments in associates	—	10,911	10,911
Capital expenditure*	<u>265,516</u>	<u>5,377</u>	<u>270,893</u>

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

The Group's non-current assets are primarily dominated by its vessels. The directors of the Company consider that the nature of the Group's business and the way in which costs are allocated preclude a meaningful allocation of vessels, their operating profits and related capital expenditure to specific geographical segments as defined under HKFRS 8 *Operating Segments* issued by the HKICPA. These vessels are primarily utilised across the geographical markets for shipment of cargoes throughout Asia. Accordingly, geographical segment information is only presented for revenue.

The following revenue information by geographical area is based on the locations of customers:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Greater China*	578,877	590,923
Japan	300,558	305,783
Southeast Asia	275,935	251,843
Others	<u>60,421</u>	<u>139,506</u>
	<u>1,215,791</u>	<u>1,288,055</u>

* Greater China includes Mainland China, Hong Kong and Taiwan.

Major customer information disclosure

During the year, there was no single customer which contributed 10% or more of the Group's revenue (2015: Nil).

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net value of services rendered.

An analysis of the Group's other income and gains, net is as follows:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
<u>Other income</u>		
Bank interest income	3,543	8,114
Interest income on held-to-maturity investments	483	3,306
Interest income on principal-protected investments	137	—
Interest income on available-for-sale listed debt investments	477	—
Dividend income from available-for-sale equity investments	101	47
Government subsidies*	3,177	6,248
Others	<u>69</u>	<u>166</u>
	<u>7,987</u>	<u>17,881</u>
<u>Gains, net</u>		
Fair value gains on cash flow hedges (transfer from equity), net	—	18,960
Fair value gains on derivative instruments not qualifying as hedges, net	754	2,500
Gain on disposal of items of property, plant and equipment, net	38	135
Gain on disposal of a subsidiary	<u>18</u>	<u>—</u>
	<u>810</u>	<u>21,595</u>
Other income and gains, net	<u>8,797</u>	<u>39,476</u>

* The amount represented subsidies received from certain governmental authorities in Mainland China for the Group's operations of marine transportation and logistics business. There are no unfulfilled conditions or contingencies relating to these grants.

4. PROFIT BEFORE TAX

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

	<i>Note</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Cost of services provided:			
Cost of bunkers consumed		102,841	144,997
Others		<u>913,415</u>	<u>957,466</u>
		<u>1,016,256</u>	<u>1,102,463</u>
Depreciation		53,706	41,969
Less: Included in cost of services provided		<u>(49,001)</u>	<u>(36,535)</u>
		<u>4,705</u>	<u>5,434</u>
Amortisation of prepaid land lease payments		471	497
Minimum lease payments under operating leases		169,910	156,881
Less: Included in cost of service provided		<u>(120,175)</u>	<u>(152,556)</u>
		<u>49,735</u>	<u>4,325</u>
Foreign exchange differences, net		4,842	666
Employee benefit expense (including directors' and the chief executive officer's remuneration):			
Wages and salaries		67,909	64,162
Equity-settled share option expense		769	1,340
Pension scheme contributions (defined contribution scheme)		<u>8,239</u>	<u>8,605</u>
		<u>76,917</u>	<u>74,107</u>
Less: Included in cost of services provided		<u>(38,035)</u>	<u>(32,109)</u>
		<u>38,882</u>	<u>41,998</u>
Impairment/(reversal of impairment) of trade receivables, net*	9	(91)	112
Impairment of items of property, plant and equipment*		6,600	—
Impairment of available-for-sale investments stated at cost*		680	—
Fair value losses/(gains) on cash flow hedge (transfer from equity), net		<u>1,838*</u>	<u>(18,960)</u>

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

5. FINANCE COSTS

Finance costs are interest on bank loans.

6. INCOME TAX

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Current:		
Mainland China	1,722	2,929
Hong Kong	164	734
Elsewhere	4,550	4,115
Overprovision in prior years — Hong Kong	<u>(2)</u>	<u>(6)</u>
Total tax charge for the year	<u>6,434</u>	<u>7,772</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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.

7. DIVIDENDS

	2016		2015	
	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>
		equivalent		equivalent
Special — HK10 cents (equivalent to approximately US1.29 cents) (2015: HK10 cents (equivalent to approximately US1.30 cents)) per ordinary share	261,327	33,644	261,169	33,699
Proposed final — HK16 cents (equivalent to approximately US2.06 cents) (2015: HK16 cents (equivalent to approximately US2.06 cents) per ordinary share	<u>418,363</u>	<u>53,864</u>	<u>417,888</u>	<u>53,917*</u>
	<u>679,690</u>	<u>87,508</u>	<u>679,057</u>	<u>87,616</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

* Subsequent to the approval of the consolidated financial statements for the year ended 31 December 2015 and prior to the date of closure of the register of members for entitlement to 2015 final dividend, additional 105,000 ordinary shares were issued by the Company as a result of exercise of share options. Accordingly, an additional 2015 final dividend amounting HK\$16,800 (equivalent to approximately US\$2,200), was paid in 2016, resulting in a difference between the amount of 2015 final dividend disclosed above and that disclosed in the consolidated financial statements for the year ended 31 December 2015.

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares of 2,612,746,388 (2015: 2,605,704,959) in issue during the year.

The calculation of the diluted earnings per share amount is based on (i) the profit for the year attributable to shareholders of the Company; and (ii) the total of the weighted average number of ordinary shares in issue during the year, 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 are based on:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
<u>Earnings</u>		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>122,790</u>	<u>143,247</u>
	Number of shares	
	2016	2015
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	2,612,746,388	2,605,704,959
Effect of dilution of share options — weighted average number of ordinary shares	<u>5,759,299</u>	<u>10,143,901</u>
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	<u>2,618,505,687</u>	<u>2,615,848,860</u>

9. TRADE RECEIVABLES

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables (note (b))	59,400	57,256
Impairment (note (c))	<u>(21)</u>	<u>(145)</u>
	<u>59,379</u>	<u>57,111</u>

Notes:

- (a) 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 enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.
- (b) An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 month	49,956	45,410
1 to 2 months	6,139	7,794
2 to 3 months	1,240	2,905
Over 3 months	<u>2,044</u>	<u>1,002</u>
	<u><u>59,379</u></u>	<u><u>57,111</u></u>

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Neither past due nor impaired	57,335	56,109
Less than one month past due	<u>2,044</u>	<u>1,002</u>
	<u><u>59,379</u></u>	<u><u>57,111</u></u>

(c) The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January	145	209
Impairment/(reversal of impairment) recognised, net (note 4)	(91)	112
Amount written off as uncollectible	(33)	(172)
Exchange realignment	<u>—</u>	<u>(4)</u>
At 31 December	<u><u>21</u></u>	<u><u>145</u></u>

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of US\$21,000 (2015: US\$145,000) with a total carrying amount before provision of US\$21,000 (2015: US\$145,000).

The individually impaired trade receivables related to customers that were in financial difficulties or were in default in principal payments and the full amount of the receivables was not expected to be recovered.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Included in the Group's trade receivables as at 31 December 2016, are amounts of US\$9,030,000 (2015: US\$6,826,000) and US\$118,000 (2015: US\$11,000) due from the Group's joint ventures and associates, respectively which are repayable on credit terms similar to those offered to the major customers of the Group.

10. TRADE PAYABLES

(a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 month	97,895	101,693
1 to 2 months	14,489	13,426
2 to 3 months	2,418	2,589
Over 3 months	<u>3,476</u>	<u>4,675</u>
	<u><u>118,278</u></u>	<u><u>122,383</u></u>

(b) Included in the Group's trade payables as at 31 December 2016 are amounts of US\$1,459,000 (2015: US\$882,000), US\$4,466,000 (2015: US\$4,013,000) and US\$199,000 (2015: US\$3,324,000) due to companies controlled by the Controlling Shareholder, joint ventures and associates, respectively, which are repayable within 30 days.

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

11. COMPARATIVE AMOUNTS

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 years. 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\$3,500,000 incurred in the year ended 31 December 2015 was reclassified from "Revenue" to "Income tax" on the face of the consolidated statement of profit or loss. The effect of which is to increase each of the Group's revenue, gross profit and income tax for the year ended 31 December 2015 by US\$3,500,000.

In addition, the prepayment of US\$1,061,000 was reclassified from current assets to non-current assets as at 31 December 2015.

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 year ended 31 December 2016, the Group's sea freight logistics business continued to provide container shipping services that focused exclusively on the intra-Asia market as the Company believes that the intra-Asia trade market will continue to experience healthy growth. As of 31 December 2016, the Group operated 62 trade lanes, including 10 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements. These trade lanes covered 65 major ports in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, Philippines, Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 31 December 2016, the Group operated a fleet of 78 container vessels with a total capacity of 99,986 TEU, comprised of 48 self-owned (62,907 TEU) and 30 chartered vessels (37,079 TEU), with an average age of 7.6 years. 61 of these 78 container vessels were of the 1,000 TEU type. For the year ended 31 December 2016, US\$60.4 million out of US\$64.7 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 decreased by 2.2% from approximately US\$990.3 million for the year ended 31 December 2015 to approximately US\$968.7 million for the year ended 31 December 2016. Such decrease was due to (i) the increase of approximately US\$7.5 million in the revenue as a result of the combined effect of the container shipping business volume increased by 7.9% from 2,163,179 TEU in 2015 to 2,333,439 TEU in 2016, and the average container shipping freight rate (excluding slot exchange fee income) decreased by 6.5% from US\$415.5/TEU in 2015 to

US\$388.3/TEU in 2016; (ii) the decrease of approximately US\$19.8 million in the slot exchange fee income, as a result of the decrease in average cooperative trade lanes. The sea freight logistics business also included leasing out dry bulk vessels. As of 31 December 2016, the Company owned 6 dry bulk vessels with a gross tonnage of 438,593 DWT and an average age of 4.1 years.

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 31 December 2016, the Group's freight forwarding network covered 36 major cities, including but not limited to the Mainland China, Japan, Korea, Vietnam, Hong Kong, Singapore, Philippines and Cambodia, while the Group's shipping agency network covered 57 major ports and cities, including but not limited to the Mainland China, Japan, Korea, Hong Kong, Vietnam, Thailand, Philippines, Singapore, Cambodia and Indonesia. The Group also operated (including through joint ventures) approximately 1,000,000 m² of depot and 100,000 m² of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination decreased by 4.9% from approximately US\$743.1 million for the year ended 31 December 2015 to approximately US\$707.0 million for the year ended 31 December 2016. Such decrease was a combined effect of a 12.7% decrease in average freight forwarding rate from US\$375.5/TEU in 2015 to US\$327.7/TEU in 2016, as well as a 8.5% growth in the freight forwarding volume from 1,616,974 TEU in 2015 to 1,755,225 TEU 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.

Market Review

During the year ended 31 December 2016, although the global economic and trade environment showed signs of bottoming up, but the industry generally operated under the harsh conditions due to slower growth of global container logistics as well as intensified market competition and decreasing shipping prices resulted from overcapacity. Despite so, the Group still maintained growth in both business volume and gross profit, benefiting from its cost control and unique business model.

Financial Overview

	Year ended 31 December							
	2016	2015	2016	2015	2016	2015	2016	2015
	Sea freight logistics	logistics	Land-based logistics	logistics	Inter-segment sales		Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Restated)						(Restated)	
Revenue	968,726	990,268	706,955	743,094	(459,890)	(445,307)	1,215,791	1,288,055
Cost of sales	<u>(889,633)</u>	<u>(929,575)</u>	<u>(586,513)</u>	<u>(618,195)</u>	<u>459,890</u>	<u>445,307</u>	<u>(1,016,256)</u>	<u>(1,102,463)</u>
Gross profit	79,093	60,693	120,442	124,899			199,535	185,592
Other income and gains (excluding interest and other income)	3,927	26,738	129	1,318			4,056	28,056
Administrative expenses	(16,754)	(17,756)	(52,047)	(56,358)			(68,801)	(74,114)
Share of profits and losses of:								
Joint ventures	—	—	11,504	9,913			11,504	9,913
Associates	—	—	442	617			442	617
Other expenses and losses	<u>(13,233)</u>	<u>(1,030)</u>	<u>(700)</u>	<u>—</u>			<u>(13,933)</u>	<u>(1,030)</u>
Segment results	53,033	68,645	79,770	80,389			132,803	149,034
Finance costs							<u>(6,872)</u>	<u>(8,532)</u>
Interest and investment income							<u>4,741</u>	<u>11,420</u>
Profit before tax							<u>130,672</u>	<u>151,922</u>
Income tax							<u>(6,434)</u>	<u>(7,772)</u>
Profit for the year							<u>124,238</u>	<u>144,150</u>
Profit for the year attributable to:								
Owners of the parents							122,790	143,247
Non-controlling interests							<u>1,448</u>	<u>903</u>
							<u>124,238</u>	<u>144,150</u>

Revenue

The Group's total revenue after inter-segment elimination decreased by 5.6% from approximately US\$1,288.1 million for the year ended 31 December 2015 to approximately US\$1,215.8 million for the year ended 31 December 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 7.8% from approximately US\$1,102.5 million for the year ended 31 December 2015 to approximately US\$1,016.3 million for the year ended 31 December 2016. The decrease was primarily attributable to the significant decrease in bunker cost and the decrease in freight forwarding rate in land-based logistics businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased from approximately US\$185.6 million for the year ended 31 December 2015 to approximately US\$199.5 for the year ended 31 December 2016. The Group's gross profit margin increased from 14.4% for the year ended 31 December 2015 to 16.4% for the year ended 31 December 2016.

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

For the year ended 31 December 2016, other income and gains (excluding bank interest income and other investment income) was approximately US\$4.1 million, decreased by approximately US\$24.0 million from approximately US\$28.1 million in 2015. The decrease was mainly attributable to (i) the realisation of Japanese Yen hedging losses of US\$1.8 million in 2016 as compared to the realised hedging gain of Japanese Yen of US\$16.6 million in 2015; and (ii) a year-on-year decrease of US\$3.0 million in government subsidies from US\$6.2 million in 2015 to US\$3.2 million in 2016.

Administrative Expenses

The Group's administrative expenses decreased by 7.2% from approximately US\$74.1 million for the year ended 31 December 2015 to approximately US\$68.8 million for the year ended 31 December 2016. The decrease was primarily attributable to (i) the overall decrease in staff cost and (ii) the decrease in legal service fees for vessel financing and office expenses.

Share of profits and losses of joint ventures

The Group's share of profits of joint ventures increased by 16.2% from approximately US\$9.9 million in 2015 to approximately US\$11.5 million in 2016. The increase was mainly attributable to the expansion in the warehouse and depot business.

Share of profits and losses of associates

The Group's share of profits and losses of associates was US\$0.4 million and US\$0.6 million for 2016 and 2015, respectively. There was no material change in the amount.

Other Expenses and Losses

The Group's other expenses and losses were US\$13.9 million and US\$1.0 million for the year ended 31 December 2016 and 2015, respectively. The increase was mainly attributable to (i) the impairment loss of US\$6.6 million on dry-bulk vessels; and (ii) foreign exchange translation loss of approximately US\$5.0 million arising from the Renminbi (“RMB”) assets as RMB depreciated against US dollar in the year 2016.

Finance Costs

The Group's finance costs decreased from US\$8.5 million for the year ended 31 December 2015 to US\$6.9 million for the year ended 31 December 2016. The decrease was mainly attributable to the decrease in the average bank borrowing interest rate in 2016.

Interest and Investment Income

The Group's amount of interest and investment income was approximately US\$4.7 million and US\$11.4 million for the year ended 31 December 2016 and 2015, respectively. This was mainly attributable to the decrease in the average principal amount of bank deposits and the average deposit interest rate.

Profit before Tax

As a result of the foregoing, the Group's profit before tax decreased by 14.0% from approximately US\$151.9 million for the year ended 2015 to approximately US\$130.7 million for the year ended 2016.

Income Tax Expenses

The Group's income tax expense was approximately US\$6.4 million and US\$7.8 million for the year ended 31 December 2016 and 2015, respectively. The decrease was primarily attributable to the decrease in taxable profit of the Group.

Profit for the Year

The Group's profit for the year ended 31 December 2016 was approximately US\$124.2 million, representing a decrease of 13.9% as compared to the profit of approximately US\$144.2 million for the year ended 31 December 2015.

Sea Freight Logistics

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

	Year ended 31 December			
	2016		2015	
	<i>Amount</i>	<i>% of</i>	<i>Amount</i>	<i>% of</i>
	<i>(US\$'000)</i>	<i>segment</i>	<i>(US\$'000)</i>	<i>segment</i>
		<i>revenue</i>	<i>(Restated)</i>	<i>revenue</i>
Income Statement Data:				
Sales to external customers —				
container shipping	526,261	54.3%	552,440	55.8%
Sales to external customers —				
Dry bulk chartering	14,728	1.5%	23,929	2.4%
Inter-segment sales	427,737	44.2%	413,899	41.8%
Segment revenue	968,726	100.0%	990,268	100.0%
Cost of Sales	(889,633)	(91.8)%	(929,575)	(93.9)%
Equipment and cargos				
transportation costs	(565,478)	(58.4)%	(547,133)	(55.3)%
Voyage costs	(162,095)	(16.7)%	(208,086)	(21.0)%
Container shipping vessels cost	(147,150)	(15.2)%	(156,536)	(15.8)%
Dry bulk vessel costs	(14,910)	(1.5)%	(17,820)	(1.8)%
Gross Profit	79,093	8.2%	60,693	6.1%
Other income and gains (excluding				
bank interest income and other				
investment income)	3,927	0.4%	26,738	2.7%
Administrative expenses	(16,754)	(1.7)%	(17,756)	(1.8)%
Other expenses and losses	<u>(13,233)</u>	<u>(1.4)%</u>	<u>(1,030)</u>	<u>(0.1)%</u>
Segment results	<u>53,033</u>	<u>5.5%</u>	<u>68,645</u>	<u>6.9%</u>

Segment results

The following table sets forth the number of trade lanes of the Group for the years ended 31 December 2015 and 2016, and port calls per week and the average freight rates for the years indicated:

Year ended 31 December		As of 31 December			
2016	2015	2016	2015	2016	2015
Average freight rate (US\$ per TEU, excluding slot exchange fee rate)		Number of trade lanes		Port calls per week	
388.3	415.5	62	61	385	360

Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination decreased by 2.2% from approximately US\$990.3 million for the year ended 31 December 2015 to approximately US\$968.7 million for the year ended 31 December 2016. Such decrease was due to (i) the increase of approximately US\$7.5 million in the revenue as a result of the combined effect of the container shipping business volume increased by 7.9% from 2,163,179 TEU in 2015 to 2,333,439 TEU in 2016, and the average container shipping freight rate (excluding slot exchange fee income) decreased by 6.5% from US\$415.5/TEU in 2015 to US\$388.3/TEU in 2016; and (ii) the decrease of approximately US\$19.8 million in the slot exchange fee income.

Cost of Sales

The cost of sales of the Group's sea freight logistics business before inter-segment elimination decreased by 4.3% from approximately US\$929.6 million for the year ended 31 December 2015 to approximately US\$889.6 million for year ended 31 December 2016. Such decrease was primarily attributable to (i) the decrease in bunker cost; and (ii) the decrease in vessel costs (external charter hire and operating costs for self-owned vessels).

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company recorded gross profit of approximately US\$79.1 million in its sea freight logistics business for the year ended 31 December 2016, representing an increase of 30.3% as compared to approximately US\$60.7 million for the year ended 31 December 2015. The gross profit margin of the Group's sea freight logistics increased from 6.1% in 2015 to 8.2% in 2016.

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

For the year ended 31 December 2016, the other income and gains (excluding bank interest income and other investment income) of the Group's sea freight logistics business decreased to approximately US\$3.9 million from approximately US\$26.7 million for the year ended 31 December 2015. The decrease was primarily attributable to (i) the realisation of Japanese Yen hedging losses of US\$1.8 million in 2016 from the gains of US\$16.6 million in 2015; and (ii) the decrease in the government subsidies from US\$5.5 million in 2015 to US\$3.1 million in 2016.

Administrative Expenses

Administrative expenses of the Group's sea freight logistics business decreased by 5.6% from approximately US\$17.8 million for the year ended 31 December 2015 to approximately US\$16.8 million for the year ended 31 December 2016. The change in the amount was mainly attributable to the decrease in legal service fees for vessel financing and office expenses.

Other Expenses and Losses

Other expenses and losses increased from US\$1.0 million for the year ended 31 December 2015 to US\$13.2 million for the year ended 31 December 2016, mainly attributable to (i) the impairment loss of US\$6.6 million on dry-bulk vessels; and (ii) the exchange losses of approximately US\$5.0 million arising from the RMB assets as RMB depreciated against US dollar in the year 2016.

Segment Results

As a result of the foregoing, the segment results of the Group's sea freight logistics business decreased by approximately US\$15.6 million from approximately US\$68.6 million for the year ended 31 December 2015 to approximately US\$53.0 million for the year ended 31 December 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:

	Year ended 31 December		Year ended 31 December	
	2016	% of	2015	% of
	Amount	segment	Amount	segment
	(US\$'000)	revenue	(US\$'000)	revenue
Income Statement Data:				
Sales to external customers	674,802	95.5%	711,686	95.8%
Inter-segment sales	32,153	4.5%	31,408	4.2%
Segment revenue	706,955	100.0%	743,094	100.0%
Freight forwarding and shipping agency	661,417	93.6%	698,474	94.0%
Other land-based logistics business	45,538	6.4%	44,620	6.0%
Cost of Sales	(586,513)	(83.0)%	(618,195)	(83.2)%
Freight forwarding and shipping agency	(555,584)	(78.6)%	(588,365)	(79.2)%
Other land-based logistics business	(30,929)	(4.4)%	(29,830)	(4.0)%
Gross Profit	120,442	17.0%	124,899	16.8%
Other income and gains (excluding interest and investment income)	129	0.1%	1,318	0.2%
Administrative expenses	(52,047)	(7.4)%	(56,358)	(7.6)%
Other expenses and losses	(700)	(0.1)%	—	—%
Share of profit and losses of:				
Joint ventures	11,504	1.6%	9,913	1.3%
Associates	442	0.1%	617	0.1%
Segment results	<u>79,770</u>	<u>11.3%</u>	<u>80,389</u>	<u>10.8%</u>

Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination decreased by 4.9% from approximately US\$743.1 million for the year ended 31 December 2015 to approximately US\$707.0 million for year ended 31 December 2016. The decrease was mainly attributable to the decrease in revenue of freight forwarding and shipping agency. Revenue of the Group's freight forwarding and shipping agency business decreased by 5.3% from approximately US\$698.5 million for the year ended 31 December 2015 to approximately US\$661.4 million for the year ended 31 December 2016. This primarily reflected the decrease in the average freight forwarding rate from US\$375.5/TEU for the year ended 31 December 2015 to US\$327.7/TEU for the year ended 31 December 2016, which offset the continuous growth in the freight forward volume from 1,616,974 TEU for 2015 to 1,755,225 TEU for 2016.

Cost of Sales

The cost of sales of the Group's land-based logistics business decreased by 5.1% from approximately US\$618.2 million for the year ended 31 December 2015 to approximately US\$586.5 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in cost of Freight forwarding and shipping agency. Cost of sales of freight forwarding and shipping agency business decreased by 5.6% from approximately US\$588.4 million for the year ended 31 December 2015 to approximately US\$555.6 million for year ended 31 December 2016, primarily reflecting a decrease in the Group's average freight forwarding rate.

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 3.6% from approximately US\$124.9 million for the year ended 31 December 2015 to approximately US\$120.4 million for the year ended 31 December 2016, but meanwhile the gross profit margin increased from 16.8% for 2015 to approximately 17.0% for 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\$0.1 million and US\$1.3 million for the year ended 31 December 2016 and 2015, respectively. This was mainly attributable to the decrease in the government subsidies.

Administrative Expenses

Administrative expenses of the Group's land-based logistics business decreased by 7.8% from approximately US\$56.4 million for the year ended 31 December 2015 to approximately US\$52.0 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in staff cost.

Other Expenses and Losses

Other expenses incurred by the Group's land-based logistics business for 2016 was approximately US\$0.7 million, which was due to the impairment provision on investment projects.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by 16.2% from approximately US\$9.9 million for the year ended 31 December 2015 to approximately US\$11.5 million for the year ended 31 December 2016. The increase was mainly attributable to the expansion in warehouse and depot business.

Share of Profits of Associates

The Group's share of profits of associates was approximately US\$0.6 million and US\$0.4 million for the year ended 31 December 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 in 2015 and 2016 were US\$80.4 million and US\$79.8 million, respectively. There was no material change to the amount.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by 5.7% from approximately US\$1,377.4 million as at 31 December 2015 to approximately US\$1,455.6 million as at 31 December 2016. As at 31 December 2016, the Group had cash and cash equivalents amounting to approximately US\$353.0 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by 8.9% from approximately US\$522.1 million as at 31 December 2015 to approximately US\$568.4 million as at 31 December 2016. At 31 December 2016, the Group had secured interest-bearing bank loans of approximately US\$409.6 million. The maturity profile is spread over a period, with approximately US\$63.7 million repayable within one year or on demand, approximately US\$52.5 million within the second year, approximately US\$152.3 million within third to fifth years and approximately US\$141.1 million beyond five years.

Further, the Group has transactional currency exposure. Such exposure arises from sales or purchases by operating units in currencies other than the units' functional currencies. As at 31 December 2016, the Group hedged approximately 27.0% (31 December 2015: 18.4%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 31 December 2016, the Group's current ratio (being the current assets divided by the current liabilities) amounted approximately 2.0 as 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 22% and 20% as at 31 December 2015 and 31 December 2016, respectively.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2016, the Group's bank loans were secured by mortgages over the Group's container vessels, dry-bulk vessels and containers which had an aggregate carrying value at the end of the reporting period of approximately US\$650.3 million (31 December 2015: US\$578.4 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group had an aggregate of 1,433 full-time employees (excluding crew members, 31 December 2015: 1,324). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$76.9 million (31 December 2015: US\$74.1 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 annual report of the Company.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2016, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 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 vessels and/ or containers and invest in land-based logistic projects, as and when appropriate. The Company expected that the internal financial resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed, the Company does not have any future plans for significant investments or capital assets as at the date of this announcement.

FINAL DIVIDEND

At the Board meeting held on 24 March 2017 (Friday), it was proposed that a final dividend of HK\$16 cents (equivalent to US\$2.06 cents) per ordinary share would be paid on 31 May 2017 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 18 May 2017 (Thursday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 12 May 2017 (Friday) (the "**Annual General Meeting**").

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

OTHER INFORMATION

Annual General Meeting

The Annual General Meeting will be held on 12 May 2017 (Friday). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 10 May 2017 (Wednesday) to 12 May 2017 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 9 May 2017 (Tuesday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 19 May 2017 (Friday) to 22 May 2017 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong

Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 18 May 2017 (Thursday).

Purchase, Sale and Redemption of Shares

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Corporate Governance

The Company is committed to maintaining a stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the year ended 31 December 2016, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set out in the CG Code for the year ended 31 December 2016.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules and devised its own code of conduct regarding directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code. Having made specific enquiries with all Directors, they have confirmed that they complied with the required standards set out in the Model Code and the Company Code throughout the year ended 31 December 2016.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of Mr. Tsui Yung Kwok, Dr. Lo Wing Yan, William and Dr. Ngai Wai Fung, all of whom are the Company's independent non-executive directors. The chairman of the Audit Committee is Mr. Tsui Yung Kwok. The annual results for the year ended 31 December 2016 of the Group have been reviewed by the Audit Committee.

Auditor

The Company appointed Ernst & Young as its auditor for the year ended 31 December 2016. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Ernst & Young as the auditor of the Company.

Publication of Annual Report

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company (<http://www.sitc.com>). The annual report of the Company for the year ended 31 December 2016 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

By Order of the Board
SITC International Holdings Company Limited
Yang Shaopeng
Chairman

Hong Kong, 24 March 2017

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