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## **SITC International Holdings Company Limited**

**海豐國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1308)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013**

#### **Financial Highlights**

- Revenue for the six months ended 30 June 2013 was approximately US\$589.2 million, increased slightly by 1.1% as compared to approximately US\$582.8 million for the corresponding period in 2012.
- Gross profit margin for the six months ended 30 June 2013 decreased slightly from approximately 11% for the six months ended 30 June 2012 to 10.4% for the six months ended 30 June 2013.
- Profit for the six months ended 30 June 2013 increased by 23% to US\$51.3 million from US\$41.7 million for the corresponding period in 2012.
- Basic earnings per share for the six months ended 30 June 2013 amounted to 1.97 US cents (30 June 2012: 1.61 US cents).

The board of directors (the “**Board**”) of SITC International Holdings Company Limited (“**SITC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012 as below.

## FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended 30 June	
		2013 US\$'000 (Unaudited)	2012 US\$'000 (Unaudited)
REVENUE		589,249	582,793
Cost of sales		<u>(528,125)</u>	<u>(518,895)</u>
Gross profit		61,124	63,898
Other income and gains	3	20,427	6,659
Administrative expenses		(30,337)	(28,478)
Other expenses and losses		(21)	(2,341)
Finance costs	5	(2,618)	(747)
Share of profits and losses of:			
Joint ventures		3,608	3,407
Associates		<u>253</u>	<u>421</u>
PROFIT BEFORE TAX	4	52,436	42,819
Income tax expense	6	<u>(1,175)</u>	<u>(1,101)</u>
PROFIT FOR THE PERIOD		<u>51,261</u>	<u>41,718</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period		3,712	1,593
Reclassification adjustments for gains included in profit or loss		<u>(5,715)</u>	<u>(318)</u>
		(2,003)	1,275
Exchange differences on translation of foreign operations		<u>(1,242)</u>	<u>(111)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		<u>(3,245)</u>	<u>1,164</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>48,016</u>	<u>42,882</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(Continued)**

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2013</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>2012</b> <i>US\$'000</i> <i>(Unaudited)</i>
Profit attributable to:			
Owners of the parent		50,989	41,679
Non-controlling interests		<u>272</u>	<u>39</u>
		<u><u>51,261</u></u>	<u><u>41,718</u></u>
Total comprehensive income attributable to:			
Owners of the parent		47,770	43,009
Non-controlling interests		<u>246</u>	<u>(127)</u>
		<u><u>48,016</u></u>	<u><u>42,882</u></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	<b>8</b>		
Basic (US cents per share)		<u>1.97</u>	<u>1.61</u>
Diluted (US cents per share)		<u>1.97</u>	<u>1.61</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2013</b>	<b>31 December 2012</b>
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		461,926	443,961
Prepaid land lease payments		12,645	12,627
Investments in joint ventures		23,876	22,690
Investments in associates		10,135	9,874
Available-for-sale investments		1,207	1,207
Derivative financial instruments		<u>417</u>	<u>—</u>
<b>Total non-current assets</b>		<u><b>510,206</b></u>	<u><b>490,359</b></u>
<b>CURRENT ASSETS</b>			
Bunkers		19,114	18,657
Trade receivables	9	69,974	72,789
Prepayments, deposits and other receivables		32,426	35,430
Due from related companies		50	614
Derivative financial instruments		3,821	3,928
Pledged deposits		—	80
Cash and cash equivalents		<u>486,222</u>	<u>378,781</u>
<b>Total current assets</b>		<u><b>611,607</b></u>	<u><b>510,279</b></u>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	123,745	138,065
Other payables and accruals		22,266	22,904
Due to related companies		162	59
Derivative financial instruments		1,560	136
Interest-bearing bank borrowings		118,103	17,379
Tax payable		<u>800</u>	<u>1,181</u>
<b>Total current liabilities</b>		<u><b>266,636</b></u>	<u><b>179,724</b></u>
<b>NET CURRENT ASSETS</b>		<u><b>344,971</b></u>	<u><b>330,555</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>855,177</b></u>	<u><b>820,914</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Continued)**

	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>855,177</u>	<u>820,914</u>
NON-CURRENT LIABILITIES		
Derivative financial instruments	260	599
Interest-bearing bank borrowings	<u>142,112</u>	<u>115,488</u>
Total non-current liabilities	<u>142,372</u>	<u>116,087</u>
Net assets	<u><u>712,805</u></u>	<u><u>704,827</u></u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	33,327	33,323
Reserves	677,633	629,523
Proposed final dividend	<u>—</u>	<u>40,010</u>
	710,960	702,856
Non-controlling interests	<u>1,845</u>	<u>1,971</u>
Total equity	<u><u>712,805</u></u>	<u><u>704,827</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The interim condensed consolidated financial statements 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 2012.

The accounting policies and basis of preparation adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012, 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:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new and revised HKFRSs has had no material financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

## 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 provides integrated freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services and related businesses mainly through the Group's branch offices operating in Mainland China.

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 interest income, other investment income and finance costs are excluded from such measurement.

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

### Segment results for the six months ended 30 June 2013

	<b>Sea freight logistics</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>Land-based logistics</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>Total</b> <i>US\$'000</i> <i>(Unaudited)</i>
<b>Segment revenue:</b>			
Sales to external customers	246,386	342,863	589,249
Intersegment sales	<u>219,981</u>	<u>11,696</u>	<u>231,677</u>
	466,367	354,559	820,926
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(231,677)</u>
Revenue			<u><u>589,249</u></u>
<b>Segment results</b>	20,490	27,666	48,156
<i>Reconciliation:</i>			
Bank interest income			4,659
Other investment income			2,239
Finance costs			<u>(2,618)</u>
Profit before tax			<u><u>52,436</u></u>

**Segment assets as at 30 June 2013**

	<b>Sea freight logistics</b>	<b>Land-based logistics</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Segment assets</b>	455,336	411,128	866,464
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(269,749)
Corporate and other unallocated assets			<u>525,098</u>
 Total assets			 <u><u>1,121,813</u></u>

**Segment results for the six months ended 30 June 2012**

	<b>Sea freight logistics</b>	<b>Land-based logistics</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Segment revenue:</b>			
Sales to external customers	235,789	347,004	582,793
Intersegment sales	<u>227,834</u>	<u>11,137</u>	<u>238,971</u>
	463,623	358,141	821,764
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(238,971)</u>
 Revenue			 <u><u>582,793</u></u>
 <b>Segment results</b>	 12,265	 24,807	 37,072
<i>Reconciliation:</i>			
Bank interest income			2,874
Other investment income			3,620
Finance costs			<u>(747)</u>
 Profit before tax			 <u><u>42,819</u></u>



### Segment assets as at 31 December 2012

	<b>Sea freight logistics</b>	<b>Land-based logistics</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
<b>Segment assets</b>	443,112	330,516	773,628
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(189,936)
Corporate and other unallocated assets			<u>416,946</u>
 Total assets			 <u><u>1,000,638</u></u>

### 3. OTHER INCOME AND GAINS

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Other income</b>		
Bank interest income	4,659	2,874
Other investment income	2,239	3,620
Others	<u>114</u>	<u>159</u>
	<u>7,012</u>	<u>6,653</u>
 <b>Gains</b>		
Gain on disposal of items of property, plant and equipment, net	170	6
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	624	—
Cash flow hedges (transfer from equity)	5,715	—
Foreign exchange differences, net	4,932	—
Foreign exchange gains arising from the capital reduction of a subsidiary	<u>1,974</u>	<u>—</u>
	<u>13,415</u>	<u>6</u>
	<u><u>20,427</u></u>	<u><u>6,659</u></u>

#### 4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Depreciation	12,175	6,095
Recognition of prepaid land lease payments	157	106
Foreign exchange differences, net*	(4,932)	2,302
Impairment of trade receivables*	—	16
Fair value losses/(gains), net*:		
Derivative instruments - transactions not qualifying as hedges	(624)	341
Cash flow hedges (transfer from equity)	<u>(5,715)</u>	<u>(318)</u>

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

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans	<u>2,618</u>	<u>747</u>

#### 6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current:		
Mainland China	409	578
Hong Kong	723	324
Elsewhere	43	43
Deferred	<u>—</u>	<u>156</u>
Total tax charge for the period	<u>1,175</u>	<u>1,101</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits during the period, based on the existing legislation, interpretations and practices in respect thereof.

The share of tax attributable to joint ventures and associates for the six months ended 30 June 2013 amounting to US\$1,057,000 and US\$10,000 (six months ended 30 June 2012 : US\$1,020,000 and US\$26,000) is included in “Share of profits and losses of joint ventures” and “Share of profits and losses of associates”, respectively, in the interim condensed consolidated statement of comprehensive income.

## **7. INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## **8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of basic earnings per share amount for the period is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,584,537,293 (six months ended 30 June 2012: 2,589,601,398) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. 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.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2012 in respect of a dilution as the shares options outstanding had an no dilutive effect on the basic earnings per share amount presented.

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

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>50,989</u>	<u>41,679</u>
	<b>Number of shares</b>	
	<b>For the six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,584,537,293	2,589,601,398
Effect of dilution - weighted average number of ordinary shares:		
Share options	<u>2,812,199</u>	<u>—</u>
	<u>2,587,349,492</u>	<u>2,589,601,398</u>

## 9. TRADE RECEIVABLES

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

	<b>30 June 2013</b>	<b>31 December 2012</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	48,684	56,645
1 to 2 months	16,504	15,144
2 to 3 months	4,147	615
Over 3 months	<u>639</u>	<u>385</u>
	<u>69,974</u>	<u>72,789</u>

#### 10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	<b>30 June 2013</b>	<b>31 December 2012</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 month	104,655	122,570
1 to 2 months	11,393	7,694
2 to 3 months	2,310	1,958
Over 3 months	<u>5,387</u>	<u>5,843</u>
	<u>123,745</u>	<u>138,065</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

#### *Business Review*

SITC is Asia's leading shipping logistics company that provides integrated transportation and logistics solutions.

During the six months ended 30 June 2013, 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 2013, the Group operated 48 trade lanes, including 5 trade lanes through joint services and 17 trade lanes through container slot exchange arrangements. These lanes covered major ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia and Indonesia. As of 30 June 2013, the Group operated a fleet of 59 vessels with a total capacity of 62,178 TEU, comprised of 30 self-owned (30,696 TEU) and 29 chartered vessels (31,482 TEU), with an average age of 7.1 years. 52 of these 59 vessels were of the 1,000 TEU type. For the six months ended 30 June 2013, US\$28.6 million out of US\$29.3 million of 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 2013 increased by approximately 0.6% as compared to the same period in 2012. The increase represented mainly the increase in the Group's shipping volume.

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 2013, the Group's freight forwarding network covered 32 major cities in the PRC, Japan, Korea, Vietnam, Hong Kong and Singapore, while the Group's shipping agency network covered 43 major ports and cities in the PRC, Japan, Korea, Hong Kong, Vietnam, Thailand and the Philippines. The Group also operated (including through joint ventures) approximately 665,000 m<sup>2</sup> of depot and 78,000 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 2013 decreased by approximately 1.0% as compared to the same period in 2012. The decrease was a combined effect of (i) increase in the freight forwarding volume from 665,360 TEU for the first half of 2012 to 736,005 TEU for the corresponding period in 2013; and (ii) decrease in average freight forwarding fee per TEU in 2013.

With the Group's continuous business expansion, the Company will continue to optimize its unique business model and expand its intra-Asia service network. Targeting at become the first choice of customers, the Company will continue to provide premium services to its customers by creating comprehensive logistics facilities and customized logistics solutions. Through the above measures and together with the continuous enhancement on the Group's information technology systems, the Group will strive for the goal in becoming a world-class integrated logistics service solutions provider.

## Market Review

During the first half of 2013, the performance of the global container shipping industry was volatile due to the fast expansion of freight capacity.

For the six months ended 30 June 2013, the Group marked a 12.9% increase in total sea freight shipping volume as compared to the corresponding period in 2012. Meanwhile, the business volume of the Group's land freight forwarding business increased by 10.6% as compared to the corresponding period in 2012.

## Financial Overview

	For the six months ended 30 June							
	Sea freight logistics		Land-based logistics		Inter-segment sales		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	466,367	463,623	354,559	358,141	(231,677)	(238,971)	589,249	582,793
Cost of sales	(449,480)	(442,883)	(310,322)	(314,983)	231,677	238,971	(528,125)	(518,895)
Gross profit	16,887	20,740	44,237	43,158			61,124	63,898
Other income and gains (excluding bank interest income and other investment income)	10,260	19	3,269	146			13,529	165
Administrative expenses	(6,641)	(6,192)	(23,696)	(22,286)			(30,337)	(28,478)
Profits and losses of:								
Joint ventures	—	—	3,608	3,407			3,608	3,407
Associates	—	—	253	421			253	421
Other expenses and losses	(16)	(2,302)	(5)	(39)			(21)	(2,341)
	20,490	12,265	27,666	24,807				
Segment results							48,156	37,072
Finance costs							(2,618)	(747)
Other investment income							2,239	3,620
Bank interest income							4,659	2,874
Profit before tax							52,436	42,819
Income tax expense							(1,175)	(1,101)
<b>Profit for the period</b>							<u>51,261</u>	<u>41,718</u>
Profit attributable to:								
Owners of the parent							50,989	41,679
Non-controlling interests							272	39
							<u>51,261</u>	<u>41,718</u>

### ***Revenue***

The Group's total revenue after inter-segment elimination increased by 1.1% from US\$582.8 million for the six months ended 30 June 2012 to US\$589.2 million for the corresponding period in 2013. This increase primarily reflects (i) the increase in the shipping volume; (ii) the continuous growth in the Group's freight forwarding business.

### ***Cost of Sales, Gross Profit and Gross Profit Margin***

The Group's cost of sales after inter-segment elimination increased by 1.8% from US\$518.9 million for the six months ended 30 June 2012 to US\$528.1 million for the corresponding period in 2013. This increase was primarily attributable to the expansion in our overall operation scale.

As a result of the foregoing, the Group's gross profit margin decreased from 11% for the six months ended 30 June 2012 to 10.4% for the corresponding period in 2013.

### ***Administrative Expenses***

The Group's administrative expenses increased from US\$28.5 million for the six months ended 30 June 2012 to US\$30.3 million for the corresponding period in 2013. The increase was mainly attributable to the increase in the staff costs.

### ***Other Expenses and Losses***

The Group's other expenses and losses was US\$21,000 for the six months ended 30 June 2013. The amount for 2012 mainly represented the loss from foreign exchange translation from RMB assets.

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

For the six months ended 30 June 2013, other income and gains (excluding bank interest income and other investment income) increased by US\$13.3 million compared to the corresponding period in 2012. The amount in 2013 mainly represented (i) gains from foreign exchange translation from RMB assets and bank loan denominated in Japanese Yen; (ii) foreign exchange gains arising from the capital reduction of a subsidiary in Mainland China of approximately US\$2 million; and (iii) gains from the Japanese Yen forward contracts.

### ***Finance Costs***

The Group's finance costs increased from US\$0.7 million for the six months ended 30 June 2012 to US\$2.6 million for the corresponding period in 2013. The increase was mainly attributable to the increase in bank loan balance. The effective interest rate remain stable in both 2012 and 2013.



### ***Profit Before Tax***

As a result of the foregoing, the Group's profit before tax increased from US\$42.8 million for the six months ended 30 June 2012 to US\$52.4 million for the corresponding period in 2013.

### ***Income Tax Expense***

The Group's income tax expenses was US\$1.1 million and US\$1.2 million for the six months ended 30 June 2012 and 2013, respectively.

### ***Profit for the Period***

The Group's profit for the six months ended 30 June 2013 was US\$51.3 million, representing an increase of US\$9.6 million over the profit of US\$41.7 million for the corresponding period in 2012.

### **Sea Freight Logistics**

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

	<b>Six months ended 30 June</b>			
	<b>2013</b>		<b>2012</b>	
	<i>Amount</i>	<i>% of</i>	<i>Amount</i>	<i>% of</i>
	<i>(US\$'000)</i>	<i>segment</i>	<i>(US\$'000)</i>	<i>segment</i>
		<i>revenue</i>		<i>revenue</i>
<b>Income Statement Data:</b>				
<b>Segment revenue</b>	466,367	100%	463,623	100%
<b>Cost of Sales</b>	(449,480)	(96.4%)	(442,883)	(95.5%)
Equipment, cargos transportation and other costs	(244,474)	(52.4%)	(236,314)	(51.0%)
Voyage costs	(146,517)	(31.5%)	(146,802)	(31.6%)
Vessels costs	(58,489)	(12.5%)	(59,767)	(12.9%)
<b>Gross Profit</b>	16,887	3.6%	20,740	4.5%
Other income and gains (excluding bank interest income and other investment income)	10,260	2.2%	19	—
Administrative expenses	(6,641)	(1.4%)	(6,192)	(1.3%)
Other expenses and losses	<u>(16)</u>	<u>—</u>	<u>(2,302)</u>	<u>(0.5%)</u>
 <b>Segment Results</b>	 <u>20,490</u>	 <u>4.4%</u>	 <u>12,265</u>	 <u>2.6%</u>

## ***Revenue***

Revenue of the Group's sea freight logistics business before inter-segment elimination increased by 0.6% from US\$463.6 million for the six months ended 30 June 2012 to US\$466.4 million for the six months ended 30 June 2013. This increase was mainly attributable to the increase in shipping volume from 837,824 TEU to 945,934 TEU for the corresponding period in 2013. In the first half of 2013, the average freight rate was US\$493, representing a decrease of 10.8% over the average freight rate of US\$553 for the corresponding period in 2012.

## ***Cost of Sales, Gross Profit and Gross Profit Margin***

The cost of sales of the Group's sea freight logistics business before inter-segment elimination increased by 1.5% from US\$442.9 million for the six months ended 30 June 2012 to US\$449.5 million for the corresponding period in 2013. This primarily reflected increases in the loading and discharge cost, which corresponds to the increase in the shipping volume.

As a result of the foregoing, the Group recorded gross profit of US\$16.9 million for its sea freight logistics business for the six months ended 30 June 2013, representing a decrease of US\$3.8 million compared to the corresponding period in 2012.

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

For the six months ended 30 June 2013, the other income and gains (excluding bank interest income and other investment income) increased to approximately US\$10.3 million in 2013 from US\$19,000 in 2012. In 2013, the amount mainly represented (i) foreign exchange gain from the translation of RMB assets and bank loan denominated in Japanese Yen; and (ii) gains from Japanese Yen forward contracts.

## ***Administrative Expenses***

Administrative expenses of the Group's sea freight logistics business increased from US\$6.2 million for the six months ended 30 June 2012 to US\$6.6 million in the corresponding period of 2013. The change in the amount was mainly due to the increase in staff cost.

## ***Other Expenses and Losses***

Other expenses and losses for the Group's sea freight logistics business of 2013 was US\$16,000. The amount in 2012 mainly represented the foreign exchange loss.

## *Segment Results*

As a result of the foregoing, the segment results of the Group's sea freight logistics business increased by US\$8.2 million from US\$12.3 million for the six months ended 30 June 2012 to US\$20.5 million for the six months ended 30 June 2013.

### **Land-Based Logistics**

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

	<b>Six months ended 30 June</b>			
	<b>2013</b>	<i>% of</i>	<b>2012</b>	<i>% of</i>
	<i>Amount</i>	<i>segment</i>	<i>Amount</i>	<i>segment</i>
	<i>(US\$'000)</i>	<i>revenue</i>	<i>(US\$'000)</i>	<i>revenue</i>
<b>Income Statement Data:</b>				
<b>Segment revenue</b>	354,559	100%	358,141	100%
Freight forwarding and shipping agency	342,559	96.6%	348,960	97.4%
Other land-based logistic businesses	12,000	3.4%	9,181	2.6%
<b>Cost of Sales</b>	(310,322)	(87.5%)	(314,983)	(87.9%)
Freight forwarding and shipping agency	(302,084)	(85.2%)	(308,865)	(86.2%)
Other land-based logistics businesses	(8,238)	(2.3%)	(6,118)	(1.7%)
<b>Gross Profit</b>	44,237	12.5%	43,158	12.1%
Other income and gains (excluding bank interest income and other investment income)	3,269	0.9%	146	—
Administrative expenses	(23,696)	(6.7%)	(22,286)	(6.2%)
Other expenses and losses	(5)	—	(39)	—
Share of profits and losses of:				
Joint ventures	3,608	1.0%	3,407	1.0%
Associates	253	0.1%	421	0.1%
<b>Segment results</b>	<u>27,666</u>	<u>7.8%</u>	<u>24,807</u>	<u>6.9%</u>

## ***Revenue***

The revenue of the Group's land-based logistics business before inter-segment elimination decreased by 1.0% from US\$358.1 million for the six months ended 30 June 2012 to US\$354.6 million for the corresponding period in 2013. This decrease was a combined effect of the following:

- Freight forwarding and shipping agency. Revenue of the Group's freight forwarding and shipping agency business decreased by 1.8% from US\$349 million for the six months ended 30 June 2012 to US\$342.6 million for the corresponding period in 2013. Despite the increase in the freight forwarding volume from 665,360 TEU for the six months ended 30 June 2012 to 736,005 TEU for the corresponding period in 2013, it was offset by the decrease in average freight forwarding rate per TEU in 2013.
- Other land-based logistics businesses. Revenue of the Group's other land-based logistics business increased by 30.4% from US\$9.2 million for the six months ended 30 June 2012 to US\$12 million for the corresponding period in 2013. This increase primarily reflected the expansion of third party logistic business and other land-based logistic business.

## ***Cost of Sales, Gross Profit and Gross Profit Margin***

The cost of sales of the Group's land-based logistics business decreased by 1.5% from US\$315.0 million for the six months ended 30 June 2012 to US\$310.3 million for the corresponding period in 2013. The decrease was a combined effect of the following:

- Freight Forwarding and Shipping Agency. Cost of sales of freight forwarding and shipping agency business decreased by 2.2% from US\$308.9 million for the six months ended 30 June 2012 to US\$302.1 million for the corresponding period in 2013, primarily reflecting an decrease in the Group's average freight forwarding cost per TEU.
- Other land-based logistics businesses. Cost of sales of the Group's other land-based logistics business increased by 34.4% from US\$6.1 million for the six months ended 30 June 2012 to US\$8.2 million for the corresponding period in 2013. This increase primarily reflected the cost increase in connection with the expansion in third party logistics business and the cost for other logistic projects.

As a result of the foregoing, the gross profit of the Group's land-based logistics business increased by 2.3% from US\$43.2 million for the six months ended 30 June 2012 to US\$44.2 million for the corresponding period in year 2013. The gross profit margin of the Group's land-based logistics business, was 12.1% and 12.5% for the six months ended 30 June 2012 and 30 June 2013, respectively.

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

Other income and gains (excluding interest income and other investment income) of the Group's land-based business for 2013 was approximately US\$3.3 million. The amount in 2013 mainly represented (i) gains from Japanese Yen forward contracts; and (ii) foreign exchange gains arising from the capital reduction of a subsidiary in Mainland China of approximately US\$2 million.

***Administrative Expenses***

Administrative expenses of the Group's land-based logistics business increased by 6.3% from US\$22.3 million for the six months ended 30 June 2012 to US\$23.7 million for the corresponding period in 2013. The increase primarily reflected the overall increase in the staff cost and headcounts.

***Other Expenses and Losses***

Other expenses and losses incurred by the Group's land-based logistics business for 2013 was comparable to the corresponding period for 2012.

***Segment Results***

As a result of the foregoing, the segment results of the Group's land-based logistics business increased by 11.7% from US\$24.8 million for the six months ended 30 June 2012 to US\$27.7 million for the corresponding period in 2013.

## Liquidity, Financial and Capital Resources

As at 30 June 2013, the Group's cash and cash equivalent was approximately US\$486.2 million (31 December 2012: approximately US\$378.8 million), representing an increase of 28.4% as compared to that as at 31 December 2012.

As at 30 June 2013, the Group had current ratio (being current assets over current liabilities) of approximately 2.3 compared to that of 2.8 as at 31 December 2012. 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 gearing ratios as at 30 June 2013 and 31 December 2012 were as follows:

	<b>30 June 2013</b>	<b>31 December 2012</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Interest-bearing bank borrowings	260,215	132,867
Trade payables	123,745	138,065
Other payables and accruals	22,266	22,904
Due to related companies	162	59
Less: Cash and cash equivalents	<u>(486,222)</u>	<u>(378,781)</u>
Net cash	<u>(79,834)</u>	<u>(84,886)</u>
Equity attributable to owners of the parent	710,960	702,856
Hedging reserve	<u>(1,925)</u>	<u>(3,928)</u>
Adjusted capital	<u>709,035</u>	<u>698,928</u>
Capital and net debt	<u>629,201</u>	<u>614,042</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>

## **Borrowings and Charges on the Group's Assets**

As at 30 June 2013, the Group had an aggregate bank borrowings of approximately US\$260.2 million (31 December 2012: approximately US\$132.9 million). Amongst the bank borrowings, approximately US\$118.1 million (31 December 2012: approximately US\$17.4 million) will be repayable within one year and approximately US\$142.1 million (31 December 2012: approximately US\$115.5 million) will be repayable after one year. Except for certain bank loans of JPY 3,841.5 million (equivalent to approximately US\$38.4 million) which were denominated in Japanese Yen and RMB denominated bank loan of RMB117.5 million (US\$37.4 million) as at 30 June 2013 (31 December 2012: JPY 920 million (equivalent to approximately US\$10.7 million) and Nil in RMB), all other bank loans are denominated in US dollars.

Further, certain of the Group's bank loans are secured by mortgages over the Group's container vessels which had an aggregate carrying value at the end of the reporting period of approximately US\$350.7 million (31 December 2012: US\$186.1 million).

## **Exchange Rate Risk**

The Group mainly operates its business in intra-Asia. Other than the foreign currency denominated bank deposits and bank borrowings, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During the six months ended 30 June 2013, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

## **Employees and Remuneration Policies**

As of 30 June 2013, the Group had an aggregate of 1,237 full-time employees. 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.

## **OTHER INFORMATION**

### **Purchase, Sales or Redemption of Shares**

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### **Code on Corporate Governance**

The Company is committed to maintain a stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the period throughout the six months ended 30 June 2013, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and there has been no deviation from the code provisions as set forth under the CG Code for the six months ended 30 June 2013.

### **Review of Accounts**

The audit committee of the Company (the "**Audit Committee**") comprises of the three independent non-executive directors of the Company. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2013.

### **Publication of Interim Report**

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitc.com>). The interim report of the Company for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the aforesaid websites in due course.

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

Hong Kong, 14 August 2013

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