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 2012

Financial Highlights

- Revenue for the six months ended 30 June 2012 was approximately US$582.8 million, increased by 16.7% as compared to approximately US$499.2 million for the corresponding period in 2011.
- Gross profit margin for the six months ended 30 June 2012 decreased from approximately 12.4% for the six months ended 30 June 2011 to 11.0%.
- Profit for the six months ended 30 June 2012 decreased to US$41.7 million from US$51.5 million for the corresponding period in 2011.
- Basic earnings per share for the six months ended 30 June 2012 amounted to 1.61 US cents (30 June 2011: 1.96 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 consolidated interim results of the Group for the six months ended 30 June 2012, together with the restated comparative figures for the corresponding period in 2011 as below.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2012 US$'000 (Unaudited)	2011 US$'000 (Restated)
REVENUE		582,793	499,197
Cost of sales		(518,895)	(437,495)
Gross profit		63,898	61,702
Other income and gains	3	6,659	14,333
Administrative expenses		(28,478)	(23,483)
Other expenses and losses		(2,341)	(2,323)
Finance costs	5	(747)	(812)
Share of profits and losses of:			
Joint ventures		3,407	2,432
Associates		421	71
PROFIT BEFORE TAX	4	42,819	51,920
Income tax expense	6	(1,101)	(406)
PROFIT FOR THE PERIOD		41,718	51,514
OTHER COMPREHENSIVE INCOME			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period		1,593	(672)
Reclassification adjustments for losses/(gains) included in profit or loss		(318)	1,885
		1,275	1,213
Exchange differences on translation of foreign operations		(111)	1,519
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,164	2,732
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		42,882	54,246

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Note	For the six months ended 30 June 2012	2011
		US$'000	*US$'000*
		(Unaudited)	*(Restated)*
Profit attributable to:			
Owners of the parent		41,679	51,086
Non-controlling interests		39	428
		41,718	51,514
Total comprehensive income attributable to:			
Owners of the parent		43,009	53,889
Non-controlling interests		(127)	357
		42,882	54,246
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic (US cents per share)		1.61	1.96
Diluted (US cents per share)		1.61	1.96

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012	31 December 2011
	US$'000	*US$'000*
	(Unaudited)	*(Restated)*
NON-CURRENT ASSETS		
Property, plant and equipment	317,651	264,178
Investments in joint ventures	19,741	18,084
Investments in associates	9,622	9,187
Available-for-sale investments	1,087	782
Total non-current assets	348,101	292,231
CURRENT ASSETS		
Bunkers	17,831	15,796
Trade receivables	78,292	78,511
Prepayments, deposits and other receivables	31,725	26,723
Due from related companies	2,203	1,470
Derivative financial instruments	557	—
Pledged deposits	—	79
Cash and cash equivalents	381,586	436,896
Total current assets	512,194	559,475
CURRENT LIABILITIES		
Trade payables	121,181	141,103
Other payables and accruals	25,587	15,719
Due to related companies	—	1,918
Derivative financial instruments	111	775
Interest-bearing bank borrowings	28,219	31,205
Tax payable	1,377	1,302
Total current liabilities	176,475	192,022
NET CURRENT ASSETS	335,719	367,453
TOTAL ASSETS LESS CURRENT LIABILITIES	683,820	659,684

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	30 June 2012	31 December 2011
	US$'000	*US$'000*
	(Unaudited)	*(Restated)*
TOTAL ASSETS LESS CURRENT LIABILITIES	683,820	659,684
NON-CURRENT LIABILITIES		
Derivative financial instruments	525	239
Interest-bearing bank borrowings	35,897	5,948
Deferred tax liabilities	205	49
Total non-current liabilities	36,627	6,236
Net assets	647,193	653,448
EQUITY		
Equity attributable to owners of the parent		
Issued capital	33,390	33,446
Reserves	611,214	576,527
Proposed final dividend	—	39,997
	644,604	649,970
Non-controlling interests	2,589	3,478
Total equity	647,193	653,448

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

During the period, the Group acquired the entire 100% interests in SITC Ship Management (Shandong) Co., Ltd. and Qingdao SITC Logistics Park Management Company Limited for a total consideration of RMB5,522,000 (equivalent to US$877,000) and RMB169,000,000 (equivalent to US$26,598,000), respectively. These acquired entities were wholly-owned subsidiaries of SITC Maritime Group Co., Ltd. (formerly known as SITC Investment Holdings (Qingdao) Company Limited), in which 62.5% interests is owned by Mr. Yang Shaopeng, the controlling shareholder of the Company's ultimate holding company (the "Controlling Shareholder").

These transactions are collectively referred to as the "Acquisition Transactions" and the entities acquired in the Acquisition Transactions are collectively referred to as the "Acquired Entities".

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. These financial statements are presented in United States Dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated interim 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 2011.

Merger accounting for business combinations under common control

Pursuant to the Acquisition Transactions, the Company became a holding company of the Acquired Entities. Since the Company and the Acquired Entities were ultimately controlled by the Controlling Shareholder both before and after the completion of the Acquisition Transactions, the Acquisition Transactions were accounted for using the principles of merger accounting.

The condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2012 and 2011 include the results, changes in equity and cash flows of all companies then comprising the Group and the Acquired Entities, as if the corporate structure of the Group immediately after the completion of the Acquisition Transactions had been in existence throughout the six months ended 30 June 2012 and 2011, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period. The condensed consolidated statement of financial position of the Group as at 31 December 2011 was prepared to present the state of affairs of the Group and the Acquired Entities as if the corporate structure of the Group immediately after the completion of the Acquisition Transactions had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at 31 December 2011.

Early adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

The following five new or revised standards are effective for annual periods beginning on or after 1 January 2013 and should be applied in accordance with respective transition requirements. Application is permitted so long as all of the five new or revised standards are applied early. The Group has adopted these five new or revised standards on 1 January 2012.

(a) HKFRS 10 *Consolidated Financial Statements*

HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It establishes a single control model that applies to all entities. It requires management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent.

The standard introduces a new definition on control under which control of investee requires an investor to possess all the following three elements: (1) the power over the investee; (2) the exposure or rights to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the investor's returns.

(b) HKFRS 11 *Joint Arrangements*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and Hong Kong (SIC) ("HK(SIC)") - Int 13 *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. HKFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. In determining the type of arrangements, HKFRS 11 requires parties to the arrangement to assess: (1) the legal form of the separate vehicle; (2) the terms of the contractual arrangement; and (3) other facts and circumstances that give them right to the assets and obligations for the liabilities or right to the net assets of the vehicle. A joint arrangement that meets the definition of a joint venture must be accounted for using the equity method. For a joint operation, an entity recognises its assets, liabilities, revenues and expenses relating to its relative shares thereof.

(c) HKFRS 12 *Disclosure of Interests in Other Entities*

HKFRS 12 establishes the disclosure objectives for an entity to disclose information concerning its interest in a subsidiary, a joint arrangement, and associate or an unconsolidated structured entity. It also requires an entity to disclose the significant judgements and assumptions it has made in determining the nature of its interest in another entity or arrangement, also in determining the type of joint arrangement in which it has an interest.

(d) HKAS 27 (Revised) *Separate Financial Statements*

Revisions are made resulting from the issuance of HKFRS 10 and consolidated financial statements are now addressed by HKFRS 10. Therefore, HKAS 27 are revised to only address separate financial statements, including how to prepare separate financial statements of an investor and what disclosures should be made in the separate financial statements.

(e) HKAS 28 (Revised) *Investments in Associates and Joint Ventures*

Revisions are made resulting from the issuance of HKFRS 11. An entity applies HKFRS 11 to determine the type of a joint arrangement in which it is involved. Once it has determined that it has an interest in a joint venture, the entity recognises an investment and accounts for it using the equity method.

Impacts of early adopting new accounting standards:

The adoption of HKFRS 10 and HKAS 27 has no material impact on the accounting policies of the Group and has no material financial impacts on the Group's interim condensed consolidated financial statements.

Summarised below are the significant assumptions and judgements adopted by the Company in determining the nature of its interest in another entity or arrangement and the type of joint arrangement in which it has an interest:

Subsidiaries

The Company directly or indirectly holds more than 50% of equity interest and substantive voting rights in all of its subsidiaries, giving it the power to direct the operating and financing activities that significantly affect the returns of the subsidiaries. Therefore, the Company controls the subsidiaries for the purpose of consolidation.

Associates

Based on the Group's ownership percentage (considering its direct ownership as well as potentially exercisable or convertible shares) and other contractual rights, the Group has significant influence over its associates, rather than the power to control.

Joint arrangements

Certain of the Group's activities are conducted through joint arrangements.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. All jointly-controlled entities ("JCEs") were separate legal entity that controls its own assets, earns its own income and incurs its own expenses and liabilities. The Group's rights as a shareholder of those entities are limited to dividends or distributions of the net assets of JCEs, rather than having direct rights to any operating assets, liabilities or production output. Accordingly, the Group has evaluated its investments in JCEs as investments in joint ventures under HKFRS 11.

Prior to 2012, the Group's investments in JCEs were included in the consolidated financial statements in proportion to the Group's interests in their assets, liabilities, income and expenses since the date of acquisition, incorporation or registration of JCEs in accordance with HKAS 31. Upon the adoption of HKFRS 11, the Company changed the accounting for its investments in JCEs from proportionate consolidation to the equity accounting method from the date of acquisition, incorporation or registration of JCEs. The comparative period has been restated with the investments in JCEs being equity accounted for since the date of acquisition, incorporation or registration of JCEs.

The effect arising from the adoption of HKFRS 11 on the Group's operating results for the current period is to increase the share of profits and losses of joint ventures by US$3,407,000, as well as to decrease the revenue by US$14,273,000, decrease the cost of sales by US$6,762,000, decrease in the other income and gains by US$162,000, decrease the administrative expenses by US$3,241,000, decrease the other expenses and losses by US$5,000 and decrease the income tax expenses by US$1,020,000.

The effect arising from the adoption of HKFRS 11 on the Group's financial position at 30 June 2012 is to increase the investments in joint ventures by US$19,741,000, as well as to decrease the property, plant and equipment by US$6,913,000, decrease other non-current assets by US$3,908,000, decrease the trade receivables by US$10,586,000, decrease the cash and cash equivalents by US$11,692,000, decrease other current assets by US$1,424,000, decrease the trade payables by US$10,143,000 and decrease other current liabilities by US$4,639,000.

Restatement of comparative amounts

The operating results previously reported by the Group for the six months ended 30 June 2011 have been restated to include the operating results of the Acquired Entities and to equity account for the Group's JCEs as set out below:

	The Group (as previously reported)	Acquired Entities	JCEs	Elimination	The Group (combined)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Restated)*
Revenue	510,597	256	(11,445)	(211)	499,197
Cost of sales	(443,266)	—	5,560	211	(437,495)
Other income and gains	14,377	(9)	(35)	—	14,333
Administrative expenses	(25,969)	(213)	2,699	—	(23,483)
Other expenses and losses	(2,326)	—	3	—	(2,323)
Finance costs	(812)	—	—	—	(812)
Share of profits and losses of:					
Joint ventures	—	—	2,432	—	2,432
Associates	71	—	—	—	71
Income tax expenses	(1,192)	—	786	—	(406)
Profit for the period	51,480	34	—	—	51,514

The financial position previously reported by the Group at 31 December 2011 has been restated to include the assets and liabilities of the Acquired Entities and to equity account for the Group's JCEs as set out below:

	The Group (as previously reported)	**Acquired Entities**	**JCEs**	**Elimination**	**The Group (combined)**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Audited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Restated)*
Assets					
Property, plant and equipment	271,081	25	(6,928)	—	264,178
Investments in joint ventures	—	—	18,084	—	18,084
Other non-current assets	13,752	—	(3,783)	—	9,969
Trade receivables	84,290	—	(5,779)	—	78,511
Cash and cash equivalents	449,018	944	(13,066)	—	436,896
Other current assets	46,563	1,215	(3,710)	—	44,068
Total assets	864,704	2,184	(15,182)	—	851,706
Liabilities					
Trade payables	151,355	—	(10,252)	—	141,103
Other current liabilities	54,459	1,390	(4,930)	—	50,919
Non-current liabilities	6,236	—	—	—	6,236
Total liabilities	212,050	1,390	(15,182)	—	198,258

Mandatory adoption of HKFRSs

Other than as further explained below regarding the impact of amendments to HKFRS 1, HKFRS 7 and HKAS 12. The mandatory adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

When an entity's date of transition to HKFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to HKFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening HKFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

(b) Amendments to HKFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets*

The Hong Kong Institute of Certified Public Accountants issued an amendment to HKFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under HKAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

(c) Amendments to HKAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

This amendment to HKAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in HKAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, HKAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in HKAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

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 freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services and related businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, 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 2012

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

Segment results for the six months ended 30 June 2011

	Sea freight logistics *US$'000* *(Restated)*	Land-based logistics *US$'000* *(Restated)*	Total *US$'000* *(Restated)*
Segment revenue:			
Sales to external customers	195,781	303,416	499,197
Intersegment sales	198,345	9,818	208,163
	394,126	313,234	707,360
Reconciliation:			
Elimination of intersegment sales			(208,163)
Revenue			499,197
Segment results	29,338	18,111	47,449
Reconciliation:			
Interest income			4,990
Other investment income			293
Finance costs			(812)
Profit before tax			51,920

3. OTHER INCOME AND GAINS

	For the six months ended 30 June 2012 *US$'000* *(Unaudited)*	 2011 *US$'000* *(Restated)*
Other income		
Bank interest income	2,874	4,990
Other investment income	3,620	293
Others	159	66
	6,653	5,349
Gains		
Gain on early termination of derivative instruments	—	14
Gain on disposal of items of property, plant and equipment, net	6	51
Foreign exchange differences, net	—	8,919
	6	8,984
	6,659	14,333

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2012	**2011**
	US$'000	*US$'000*
	(Unaudited)	*(Restated)*
Depreciation	6,095	5,107
Foreign exchange differences, net*	2,302	(8,919)
Impairment of trade receivables*	16	—
Fair value losses/(gains), net*:		
Derivative instruments - transactions not qualifying as hedges	341	152
Cash flow hedges (transfer from equity)	(318)	1,885

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2012	**2011**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loans wholly repayable within five years	321	384
Interest on bank loans wholly repayable beyond five years	426	428
	747	812

6. INCOME TAX

	For the six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	*(Restated)*
Current:		
Mainland China	578	277
Hong Kong	324	144
Elsewhere	43	119
Deferred	156	(134)
Total tax charge for the period	1,101	406

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2012 (2011: Nil).

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

The calculation of basic earnings per share amount for the six months ended 30 June 2012 is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,589,601,398 (six months ended 30 June 2011: 2,600,000,000) 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 outstanding under the share option schemes had an anti-dilutive effect on the basic earnings per share amount presented.

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

	For the six months ended 30 June	
	2012	**2011**
	US$'000	*US$'000*
	(Unaudited)	*(Restated)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	41,679	51,086

	Number of shares For the six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,589,601,398	2,600,000,000
Effect of dilution - weighted average number of ordinary shares:		
Share options	—	12,824,000
	2,589,601,398	2,612,824,000

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 2012, 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 2012, the Group operated 50 trade lanes, including four trade lanes through joint services and 19 trade lanes through container slot exchange arrangements. These lanes covered major ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines and Cambodia. As of 30 June 2012, the Group operated a fleet of 54 vessels with a total capacity of 52,269 TEU, comprised of 15 self-owned (13,802 TEU) and 39 chartered vessels (38,467 TEU), with an average age of 7.9 years. 46 of these 54 vessels were of the 1,000 TEU type. For the six months ended 30 June 2012, US$34 million out of US$56.4 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 2012 increased by approximately 17.6% as compared to the same period in 2011. The increase represented mainly the increases in 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 2012, the Group's freight forwarding network covered 29 major cities in the PRC, Japan, Korea, Vietnam, Hong Kong and Singapore, while the Group's shipping agency network covered 42 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 615,000 m^2 of depot and 76,000 m^2 of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination for the first half of 2012 increased by approximately 14.3% as compared to the same period in 2011. The increase represented mainly the increase in the Group's freight forwarding business.

The Group is cautiously optimistic about the business environment for container shipping and logistics within the intra-Asia market in the second half of 2012. With the Group's business expansion, the Company will continue to optimize its unique business model, expand its intra-Asia service network, as well as replicate its integrated service model within its 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 first half of 2012, the slow recovery of the global economy led to weak demand. The performance of the global container shipping industry was volatile due to the fast expansion of freight capacity.

The Company continued to outperform the industry during the first half of 2012. For the six months ended 30 June 2012, the Group marked a 17.2% increase in total sea freight shipping volume and an increase of 0.4% in terms of average freight rate. Meanwhile, the business volume of the Group's land freight forwarding business increased by 10.1% as compared to the corresponding period in 2011.

Financial Overview

	For the six months ended 30 June							
	Sea freight logistics		**Land-based logistics**		**Inter-segment sales**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	US$'000	*US$'000 (Restated)*	*US$'000*	*US$'000 (Restated)*	*US$'000*	*US$'000 (Restated)*	*US$'000*	*US$'000 (Restated)*
Revenue	463,623	394,126	358,141	313,234	(238,971)	(208,163)	582,793	499,197
Cost of sales	(442,883)	(366,218)	(314,983)	(279,440)	238,971	208,163	(518,895)	(437,495)
Gross profit	20,740	27,908	43,158	33,794			63,898	61,702
Other income and gains (excluding interest income and other investment income)							165	9,050
Administrative expenses							(28,478)	(23,483)
Share of profits and losses of:								
Joint ventures							3,407	2,432
Associates							421	71
Other expenses and losses							(2,341)	(2,323)
Segment results							37,072	47,449
Finance costs							(747)	(812)
Other investment income							3,620	293
Interest income							2,874	4,990
Profit before tax							42,819	51,920
Income tax expense							(1,101)	(406)
Profit for the period							41,718	51,514
Profit attributable to:								
Owners of the parent							41,679	51,086
Non-controlling interests							39	428
							41,718	51,514

Revenue

The Group's total revenue after inter-segment elimination increased by 16.7% from US$499.2 million for the six months ended 30 June 2011 to US$582.8 million for the corresponding period in 2012. This increase primarily reflects (i) the increase in its shipping volume; as well as (ii) the continuous growth in the Group's freight forwarding operations.

Cost of Sales, Gross Profit and Gross Profit Margin

The Group's cost of sales after inter-segment elimination increased by 18.6% from US$437.5 million for the six months ended 30 June 2011 to US$518.9 million for the corresponding period in 2012. This increase was primarily attributable to (i) the increase in the Group's shipping volume of sea freight container and land freight forwarding volume; and (ii) the increase in the major components of its cost of sales, such as bunkers cost.

As a result of the foregoing, the Group's gross profit margin decreased from 12.4% for the six months ended 30 June 2011 to 11.0% for the corresponding period in 2012, primarily reflecting the increase in the Group's average bunkers cost per tone.

Administrative Expenses

The Group's administrative expenses increased from US$23.5 million for the six months ended 30 June 2011 to US$28.5 million for the corresponding period in 2012. The increase was mainly attributable to the overall increase in staff cost.

Other Expenses and Losses

The Group's other expenses and losses was US$2.3 million for the six months ended 30 June 2012. There was no material change in the amount compared to that of 2011. The amount in 2012 mainly represented the loss from foreign exchange translation from RMB assets. The amount for 2011 mainly represented the fair value losses of financial instruments.

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

For the six months ended 30 June 2012, other income and gains (excluding interest income and other investment income) decreased by US$8.9 million compared to the corresponding period in 2011. In 2011, the amount mainly represented the US$8.9 million gain in the foreign exchange translation from RMB deposits, whereas the Group recorded a foreign exchange loss in 2012.

Finance Costs

The Group's finance costs remain stable at approximately US$0.7 million for the six months ended 30 June 2012. There was no material changes in the effective interest rate of 2012 compared to the corresponding period in 2011.

Profit Before Tax

As a result of the foregoing, the Group's profit before tax decreased from US$51.9 million for the six months ended 30 June 2011 to US$42.8 million for the corresponding period in 2012.

Income Tax Expense

The Group's income tax expenses was US$0.4 million and US$1.1 million for the six months ended 30 June 2011 and 2012, respectively. The increase was mainly due to more taxable profit was generated by the land-based logistics business.

Profit for the Period

The Group's profit for the six months ended 30 June 2012 was US$41.7 million, representing a decrease of US$9.8 million over the profit of US$51.5 million for the corresponding period in 2011.

Sea Freight Logistics

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

	Six months ended 30 June			
	2012		2011 (Restated)	
	Amount (US$'000)	*% of segment revenue*	*Amount (US$'000)*	*% of segment revenue*
Income Statement Data:				
Segment revenue	463,623	100%	394,126	100%
Cost of Sales	(442,883)	(95.5%)	(366,218)	(92.9%)
Equipment, cargos transportation and other costs	(236,314)	(51.0%)	(195,246)	(49.5%)
Voyage costs	(146,802)	(31.6%)	(119,114)	(30.2%)
Vessels costs	(59,767)	(12.9%)	(51,858)	(13.2%)
Gross Profit	20,740	4.5%	27,908	7.1%
Other income and gains (excluding interest income and other investment income)	19	—	8,923	2.3%
Administrative expenses	(6,192)	(1.3%)	(5,303)	(1.3%)
Other expenses and losses	(2,302)	(0.5%)	(2,190)	(0.6%)
Segment results	12,265	2.7%	29,338	7.4%

Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination increased by 17.6% from US$394.1 million for the six months ended 30 June 2011 to US$463.6 million for the six months ended 30 June 2012. This increase was mainly attributable to the increase in shipping volume from 714,746 TEU for the six months ended 30 June 2011 to 837,824 TEU for the corresponding period in 2012. In the first half of 2012, the average freight rate was US$553, representing an increase of 0.4% over the average freight rate of US$551 for the corresponding period in 2011.

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 20.9% from US$366.2 million for the six months ended 30 June 2011 to US$442.9 million for the corresponding period in 2012. This primarily reflected increases in major components of the Group's cost of sales, particularly bunkers cost. During the six months ended 30 June 2012, the average bunker cost per tonne increased by approximately 15.1% as compared with the corresponding period in 2011.

As a result of the foregoing, the Group recorded gross profit of US$20.7 million for its sea freight logistics business for the six months ended 30 June 2012, representing a decrease of US$7.2 million compared to the corresponding period in 2011. The improvement in the Group's sea freight logistics revenue was largely offset by the overall increase in cost of sales and hence the Group's sea freight logistics gross profit margin decreased from 7.1% in 2011 to 4.5% in 2012, primarily reflecting an increase in the average bunker cost per tonne.

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

For the six months ended 30 June 2012, the other income and gains (excluding interest income and other investment income) decreased to approximately US$19,000 in 2012 from US$8.9 million in 2011. In 2011, the amount mainly represented the US$8.9 million gain in the foreign exchange translation from RMB deposits whereas the Group recorded a foreign exchange loss in 2012.

Administrative Expenses

Administrative expenses of the Group's sea freight logistics business increased from US$5.3 million for the six months ended 30 June 2011 to US$6.2 million in the corresponding period of 2012. The change in the amount was mainly due to the overall increase in staff cost.

Other Expenses and Losses

Other expenses and losses for the Group's sea freight logistics business of 2012 was comparable to the corresponding period in 2011. The amount in 2012 mainly represented loss from foreign exchange translation from RMB assets. The amount for 2011 mainly represented fair value losses of financial instruments.

Segment Results

As a result of the foregoing, the segment results of the Group's sea freight logistics business decreased by US$17.0 million from US$29.3 million for the six months ended 30 June 2011 to US$12.3 million for the six months ended 30 June 2012.

Land-Based Logistics

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

	Six months ended 30 June			
	2012		**2011 (Restated)**	
	Amount (US$'000)	*% of segment revenue*	*Amount (US$'000)*	*% of segment revenue*
Income Statement Data:				
Segment revenue	358,141	100.0%	313,234	100.0%
Freight forwarding and shipping agency	348,960	97.4%	307,882	98.3%
Other land-based logistic businesses	9,181	2.6%	5,352	1.7%
Cost of Sales	(314,983)	(87.9%)	(279,440)	(89.2%)
Freight forwarding and shipping agency	(308,865)	(86.2%)	(276,661)	(88.3%)
Other land-based logistics businesses	(6,118)	(1.7%)	(2,779)	(0.9%)
Gross Profit	43,158	12.1%	33,794	10.8%
Other income and gains (excluding interest income and other investment income)	146	—	127	—
Administrative expenses	(22,286)	(6.2%)	(18,180)	(5.8%)
Other expenses and losses	(39)	—	(133)	—
Share of profits and losses of:				
Joint ventures	3,407	1.0%	2,432	0.8%
Associates	421	0.1%	71	—
Segment results	24,807	7.0%	18,111	5.8%

Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination increased by 14.3% from US$313.2 million for the six months ended 30 June 2011 to US$358.1 million for the corresponding period in 2012. This increase was mainly attributable to the continuous growth of the Group's freight forwarding business.

- *Freight forwarding and shipping agency.* Revenue of the Group's freight forwarding and shipping agency business increased by 13.3% from US$307.9 million for the six months ended 30 June 2011 to US$349.0 million for the corresponding period in 2012. This increase primarily reflected an increase in the freight forwarding volume from 604,452 TEU for the six months ended 30 June 2011 to 665,360 TEU for the corresponding period in 2012.

- *Other land-based logistics businesses.* Revenue of the Group's other land-based logistics business increased by 70.4% from US$5.4 million for the six months ended 30 June 2011 to US$9.2 million for the corresponding period in 2012. This increase primarily reflected the expansion of third party logistics businesses and other land-based logistics businesses.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of the Group's land-based logistics business increased by 12.7% from US$279.4 million for the six months ended 30 June 2011 to US$315.0 million for the corresponding period in 2012. This mainly represented the expansion in the Group's freight forwarding business.

- *Freight Forwarding and Shipping Agency.* Cost of sales of freight forwarding and shipping agency business increased by 11.6% from US$276.7 million for the six months ended 30 June 2011 to US$308.9 million for the corresponding period in 2012, primarily reflecting an increase in the Group's freight forwarding volume.

- *Other land-based logistics businesses.* Cost of sales of the Group's other land-based logistics business increased by 117.9% from US$2.8 million for the six months ended 30 June 2011 to US$6.1 million for the corresponding period in 2012. 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 27.8% from US$33.8 million for the six months ended 30 June 2011 to US$43.2 million for the corresponding period in year 2012. The gross profit margin of the Group's land-based logistics business increased from 10.8% for the six months ended 30 June 2011 to 12.1% for the corresponding period in 2012.

Other Income and Gains (excluding 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 2012 was approximately US$0.1 million. The was no material change in the amount compared to that of 2011.

Administrative Expenses

Administrative expenses of the Group's land-based logistics business increased by 22.5% from US$18.2 million for the six months ended 30 June 2011 to US$22.3 million for the corresponding period in 2012. 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 2012 was comparable to the corresponding period for 2011.

Segment Results

As a result of the foregoing, the segment results of the Group's land-based logistics business increased by 37.0% from US$18.1 million for the six months ended 30 June 2011 to US$24.8 million for the corresponding period in 2012.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2012, pursuant to the mandate to purchase shares of the Company obtained from the Company's shareholders at the annual general meeting of the Company held on 4 May 2012, the Company repurchased an aggregate of 3,780,000 shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), detailed below, for an aggregate consideration of

HK$7,243,362.94 before expenses and all these shares were subsequently cancelled by the Company on 30 July 2012 and accounted for approximately 0.146% of the total issued share capital as at 30 June 2012:

Month of repurchase	Price per share Highest	Lowest	Number of ordinary shares of HK$0.10 each	Aggregate Consideration
	HK$	*HK$*		*HK$*
June 2012	2.00	1.84	3,780,000	7,243,362.94
Total			3,780,000	7,243,362.94

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

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 six months ended 30 June 2012, the Board is of the view that, for the period from 1 January 2012 till 31 March 2012, the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "**Old Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and for the period from 1 April 2012 till 30 June 2012, the Company has complied with the code provisions included in the amendments made to the Old Code which took effect since 1 April 2012 (the "**New Code**") and there has been no deviation from the code provisions as set forth under the Old Code and the New Code for the six months ended 30 June 2012 save for the deviation of Code Provision A.6.7 of the New Code as below.

Code Provision A.6.7

Code Provision A.6.7 of the New Code provides that independent non-executive directors and non-executive directors should attend general meetings of the Company.

Due to prior business engagements external to the Company, one non-executive director of the Company, Ms. Liu Rongli, and two independent non-executive directors of the Company, Dr. Lo Wing Yan, William and Mr. Ngai Wai Fung were not able to attend the annual general meeting of the Company held on 4 May 2012.

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 2012.

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 2012 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, 29 August 2012

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