SITC International Holdings Company Limited

海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1308

Interim Report

2012


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Corporate Information

DIRECTORS

Executive Directors

YANG Shaopeng *(Chairman)*

YANG Xianxiang *(Chief Executive Officer)*

LIU Kecheng *(Joint Company Secretary)*

LI Xuexia

XUE Peng

Non-Executive Director

LIU Rongli

Independent Non-Executive Directors

TSUI Yung Kwok

YEUNG Kwok On

LO Wing Yan, William

NGAI Wai Fung

BOARD COMMITTEES

Audit Committee

TSUI Yung Kwok *(Chairman)*

LO Wing Yan, William

NGAI Wai Fung

Remuneration Committee

YEUNG Kwok On *(Chairman)*

NGAI Wai Fung

TSUI Yung Kwok

YANG Shaopeng

YANG Xianxiang

Nomination Committee

YANG Shaopeng *(Chairman)*

LO Wing Yan, William

NGAI Wai Fung

YANG Xianxiang

YEUNG Kwok On

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

CORPORATE HEADQUARTERS

Rooms 2202-2203, 22/F

Office Tower, Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

Headquarter in the PRC

No. 30, 1388 Zhangdong Road

Pudong District

Shanghai

PRC

AUTHORIZED REPRESENTATIVES

LIU Kecheng

XUE Peng

JOINT COMPANY SECRETARIES

LIU Kecheng

HO Siu Pik (FCS, FCIS)

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House

68 Fort Street

P. O. Box 609

Grand Cayman KY1-1107

Cayman Islands

HONG KONG SHARE REGISTRAR

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

PLACE OF LISTING

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

NAME OF STOCK

SITC International Holdings Company Limited (SITC)

STOCK CODE

01308

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young

LEGAL ADVISORS

As to Hong Kong law:

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

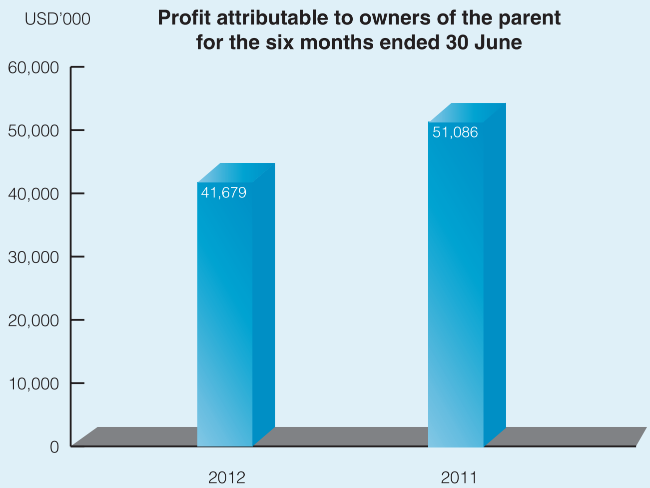
As to Cayman Islands law:

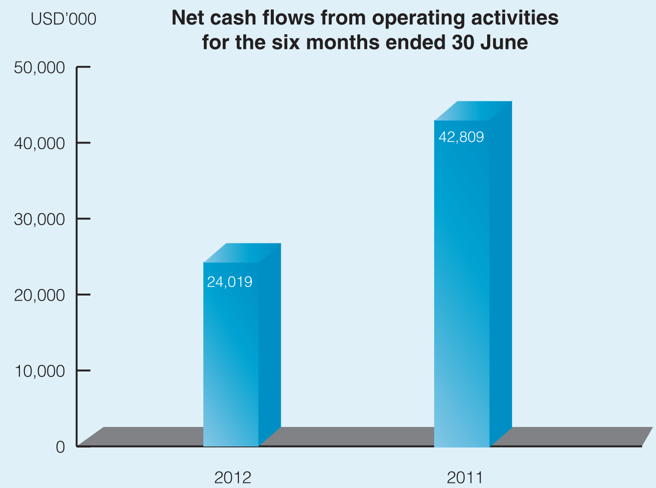
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

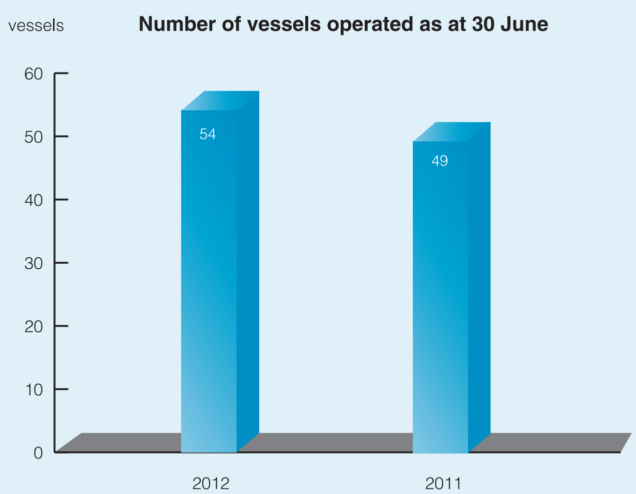
WEBSITE

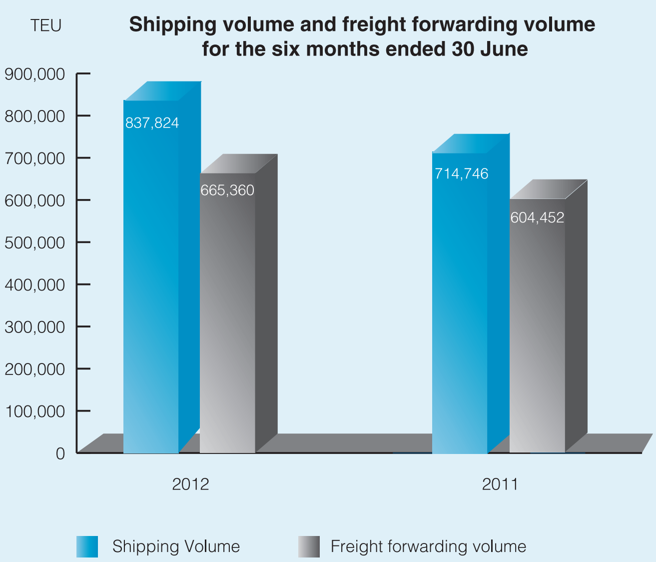
www.sitc.com

Financial and Operating Highlights









Management Discussion and Analysis

Overview

Business Review

SITC International Holdings Company Limited (the "Company" or "SITC") is Asia's leading shipping logistics company that provides integrated transportation and logistics solutions.

During the six months ended 30 June 2012, the sea freight logistics business of the Company and its subsidiaries (collectively, the "Group") 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	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)		(Restated)		(Restated)		(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

INTERIM DIVIDEND

At the meeting of the board of directors of the Company (the "**Board**") held on 29 August 2012 (Wednesday), the Board has resolved not to declare any interim dividend for the six months ended 30 June 2012.

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

SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a share option scheme (the "**Share Option Scheme**") whereby the Board can grant options for the subscription of the shares of the Company (the "**Shares**") to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme was 260,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company dated 20 September 2010). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Govering the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share.

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

The followings are details of the options granted pursuant to the Share Option Scheme but not yet exercised:

Grantee and position	Date of grant of options	Number of options granted	Number of options of granted during the period	Number of options exercised/ cancelled/lapsed during the period	Number of options not yet exercised on 30 June 2012	Approximate percentage of shareholding upon the exercise of the options
YANG Shaopeng (Executive Director)	25 October 2011	1,000,000	—	—	1,000,000	0.04%
YANG Xianxiang (Executive Director)	25 October 2011	1,000,000	—	—	1,000,000	0.04%
LIU Kecheng (Executive Director)	25 October 2011	300,000	—	—	300,000	0.01%
LI Xuexia (Executive Director)	25 October 2011	300,000	—	—	300,000	0.01%
XUE Peng (Executive Director)	25 October 2011	300,000	—	—	300,000	0.01%
TSUI Yung Kwok (Independent non-executive Director)	25 October 2011	400,000	—	—	400,000	0.02%
YEUNG Kwok On (Independent non-executive Director)	25 October 2011	400,000	—	—	400,000	0.02%
LO Wing Yau, William (Independent non-executive Director)	25 October 2011	400,000	—	—	400,000	0.02%
NGAI Wai Fung (Independent non-executive Director)	25 October 2011	400,000	—	—	400,000	0.02%
Other employees	25 October 2011	7,100,000	—	—	7,100,000	0.27%
Total		11,600,000	—	—	11,600,000	0.45%

PRE-IPO SHARE OPTION SCHEME

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

(a) The subscription price per share shall be a price equivalent to a 20% discount to the Offer Price of the Shares under the Global Offering, that means HK$3.824 per share;

(b) The total number of shares involved in the Pre-IPO Share Option Scheme was 79,160,000 shares, which is equivalent to approximately 3.0% of the Shares in issue of the Company after completion of the Global Offering; and

(c) the eligible participants under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of the Company or any of the subsidiaries who have been in employment with the Company for over one year prior to the date of the adoption of the Pre-IPO Share Option Scheme or any other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries;

(d) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before an Option can be exercised) as it may think fit; and

(e) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on the Stock Exchange.

The followings are details of the options granted pursuant to the Pre-IPO Share Option Scheme but not yet exercised:

Grantee and position	Date of grant of options	Number of options granted	Number of options exercised/ cancelled/lapsed during the period	Number of options not yet exercised on 30 June 2012	Approximate percentage of shareholding upon the exercise of the options
YANG Shaopeng (Executive Director)	10 September 2010	7,200,000	—	7,200,000	0.28%
YANG Xianxiang (Executive Director)	10 September 2010	5,220,000	—	5,220,000	0.20%
LIU Kecheng (Executive Director)	10 September 2010	800,000	—	800,000	0.03%
LI Xuexia (Executive Director)	10 September 2010	800,000	—	800,000	0.03%
XUE Peng (Executive Director)	10 September 2010	800,000	—	800,000	0.03%
Other employees	10 September 2010	60,820,000	1,340,000	59,480,000	2.30%
Total		**75,640,000**	**1,340,000**	**74,300,000**	**2.87%**

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

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

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

(c) up to 25% of the Shares that are subject to the Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date; and

(d) such number of Shares that are subject to the Option so granted to him/her less the number of Shares in respect of which the Options has been exercised at any time during the period commencing from the fourth anniversary of the Listing Date and ending on the expiry of the option period.

The Options granted under the Pre-IPO Share Option Scheme are not transferable and options not exercised within the exercise period above will lapse and cease to be of further effect.

Other details of the Pre-IPO Share Option Scheme can be found in the Prospectus.

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

As at 30 June 2012, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, are as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number of Securities	Approximate percentage of Shareholding
YANG Shaopeng(1)	Beneficiary of the Pengli Trust	1,446,903,158	55.87%
LIU Rongli(2)	Beneficiary of the Pengli Trust	1,446,903,158	55.87%
XUE Peng(3)	Beneficiary of the Watercrest Trust	13,966,176	0.54%
LI Xuexia(3)	Beneficiary of the Watercrest Trust	13,807,334	0.53%

Notes:

(1) Out of the 1,446,903,158 Shares, 1,431,898,158 Shares are held by Resourceful Link Management Limited ("**Resourceful Link**") and 6,805,000 Shares are held by Better Master Investments Limited ("**Better Master**"). The issued share capital of Resourceful Link is owned as to 76.67% by Better Master which is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Pengli Trust, namely YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) LIU Rongli is the spouse of YANG Shaopeng and is deemed to be interested in all the shares of YANG Shaopeng by virtue of the SFO.

(3) The Shares are the interests held by Watercrest Profits Limited attributable to the Director. The sole shareholder of Watercrest Profits Limited is Xue Peng, as nominee and trustee for the Watercrest Trust, a trust established to hold the interests of certain employees in the Company.

(ii) Interest in underlying Shares

Name of Director	Nature of Interest	Number of Shares in the Company subject to options under the Pre-IPO Share Option Scheme	Number of Shares in the Company subject to options under the Share Option Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme and Share Option Scheme (Note)
YANG Shaopeng	Beneficial owner	7,200,000	1,000,000	0.32%
YANG Xianxiang	Beneficial owner	5,220,000	1,000,000	0.24%
LIU Kecheng	Beneficial owner	800,000	300,000	0.04%
LI Xuexia	Beneficial owner	800,000	300,000	0.04%
XUE Peng	Beneficial owner	800,000	300,000	0.04%
TSUI Yung Kwok	Beneficial owner	—	400,000	0.02%
YEUNG Kwok On	Beneficial owner	—	400,000	0.02%
LO Wing Yan, William	Beneficial owner	—	400,000	0.02%
NGAI Wai Fung	Beneficial owner	—	400,000	0.02%

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

(iii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of Shareholding
YANG Shaopeng(1)	Resourceful Link	55,290	76.67%
YANG Xianxiang(2)	Resourceful Link	11,776	16.33%
LIU Kecheng(3)	Resourceful Link	2,205	3.05%
LIU Rongli(4)	Resourceful Link	55,290	76.67%

Notes:

(1) Resourceful Link is interested in approximately 55.29% of the issued share capital of the Company. Resourceful Link is owned as to 76.67% by Better Master, which is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Pengli Trust, namely YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) Resourceful Link is interested in approximately 55.29% of the issued share capital of the Company. Jixiang Investments Limited is interested in 16.33% of the issued share capital of Resourceful Link. Jixiang Investments Limited is in turn owned as to 100% by Jixiang Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Jixiang Trust, namely YANG Xianxiang and his family. The Jixiang Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust.

(3) Resourceful Link is interested in approximately 55.29% of the issued share capital of the Company. Yicheng Investments Limited is interested in 3.05% of the issued share capital of Resourceful Link. Yicheng Investments Limited is in turn owned as to 100% by Yicheng Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Yicheng Trust, namely LIU Kecheng and his family. The Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. LIU Kecheng is the settlor and a beneficiary of the Yicheng Trust.

(4) LIU Rongli is the spouse of YANG Shaopeng and is deemed to be interested in all the shares of YANG Shaopeng by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2012, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of shares	Percentage of Shareholding
Resourceful Link[(1)]	Beneficial owner	1,431,898,158	55.29%
Better Master[(1)]	Interest in controlled orporation	1,431,898,158	
	Beneficial owner	6,805,000	55.55%
Pengli Holdings Limited[(1)]	Interest in controlled corporation	1,438,703,158	55.55%
Barclays Wealth Trustees (Hong Kong) Limited[(1)]	Trustee	1,438,703,158	55.55%

Note:

(1) Resourceful Link is owned as to 76.67%, 16.33%, 3.95% and 3.05% by Better Master, Jixiang Investments Limited, Xiangtai Investments Limited and Yicheng Investments Limited. Better Master is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Pengli Trust. Jixiang Investments Limited is owned as to 100% by Jixiang Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Jixiang Trust. Xiangtai Investments Limited is owned as to 100% by Xiangtai Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Xiangtai Trust. Yicheng Investments Limited is owned as to 100% by Yicheng Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Yicheng Trust. Each of the Pengli Trust, the Jixiang Trust and the Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands by certain of the Directors to hold their family interests in the Company.

CORPORATE GOVERNANCE

The Company is committed to 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 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.

Code Provision A.6.7

Code Provision A.6.7 of the New Code provides that the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code and all Directors confirmed that they have complied with the Model Code and the Company Code during the six months ended 30 June 2012.

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 of the Company on 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	Price per share 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.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the publication of the 2011 Annual Report in March 2012 are set out below:-

Mr NGAI Wai Fung, an independent non-executive Director of the Company, has been appointed as an independent director of LDK Solar Co., Ltd. (a company listed in the New York Stock Exchange, Stock Code: LDK) and CNPV Solar Power SA (a company listed in the New York Stock Exchange Euronext, Stock Code: ALCNP).

Mr TSUI Yung Kwok, an independent non-executive Director of the Company, has been appointed as an independent non-executive Director of 361 Degrees International Limited (a company listed in the Stock Exchange, Stock Code: 1361) with effect from 1 September 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float throughout six months ended 30 June 2012.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr TSUI Yung Kwok, Dr LO Wing Yan, William and Mr NGAI Wai Fung. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2012.

PUBLICATION OF INTERIM REPORT

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

For and on behalf of the Board of Directors
YANG Shaopeng
Chairman

29 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

The Board of Directors (the "Board") of SITC International Holdings Company Limited (the "Company") hereby presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

	Notes	For the six months ended 30 June 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)

For the six months ended 30 June 2012

	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

	Notes	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**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	10	**78,292**	78,511
Prepayments, deposits and other receivables		**31,725**	26,723
Due from related companies	15	**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	11	**121,181**	141,103
Other payables and accruals		**25,587**	15,719
Due to related companies	15	**—**	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

	Note	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (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	12	**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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent															
	Issued capital (Unaudited) US$'000	Share premium account (Unaudited) US$'000	Treasury shares (Unaudited) US$'000	Capital redemption reserve (Unaudited) US$'000	Merger reserve (Unaudited) US$'000	PRC reserve funds (Unaudited) US$'000	Capital reserve (Unaudited) US$'000	Share-based compensation reserve (Unaudited) US$'000	Share option reserve (Unaudited) US$'000	Hedging reserve (Unaudited) US$'000	Exchange fluctuation reserve (Unaudited) US$'000	Retained profits (Unaudited) US$'000	Proposed final dividend (Unaudited) US$'000	Total (Unaudited) US$'000	Non-controlling interests (Unaudited) US$'000	Total equity (Unaudited) US$'000
At 1 January 2011																
As previously reported	33,522	351,903	–	–	(3,276)	1,827	(463)	4,597	838	(2,560)	4,857	162,303	40,088	593,636	2,337	595,973
Effect of business combination	–	–	–	–	298	62	–	–	–	–	(5)	(32)	–	323	194	517
As restated	33,522	351,903	–	–	(2,978)	1,889	(463)	4,597	838	(2,560)	4,852	162,271	40,088	593,959	2,531	596,490
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	51,086	–	51,086	428	51,514
Other comprehensive income for the period:																
Changes in fair value of hedging instruments, net of tax	–	–	–	–	–	–	–	–	–	1,213	–	–	–	1,213	–	1,213
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	1,590	–	–	1,590	(71)	1,519
Total comprehensive income for the period	–	–	–	–	–	–	–	–	–	1,213	1,590	51,086	–	53,889	357	54,246
Transfer to PRC reserve funds	–	–	–	–	–	352	–	–	–	–	–	(352)	–	–	–	–
Final 2010 dividend paid	–	–	–	–	–	–	–	–	–	–	–	–	(40,088)	(40,088)	–	(40,088)
Share option expense	–	–	–	–	–	–	–	–	340	–	–	–	–	340	–	340
At 30 June 2011	33,522	351,903	–	–	(2,978)	2,241	(463)	4,597	1,178	(1,347)	6,442	213,005	–	608,100	2,888	610,988

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2012

	Attributable to owners of the parent															
	Issued capital (Unaudited) US$'000	Share premium account (Unaudited) US$'000	Treasury shares (Unaudited) US$'000	Capital redemption reserve (Unaudited) US$'000	Merger reserve (Unaudited) US$'000	PRC reserve funds (Unaudited) US$'000	Capital reserve (Unaudited) US$'000	Share-based compensation reserve (Unaudited) US$'000	Share option reserve (Unaudited) US$'000	Hedging reserve (Unaudited) US$'000	Exchange fluctuation reserve (Unaudited) US$'000	Retained profits (Unaudited) US$'000	Proposed final dividend (Unaudited) US$'000	Total (Unaudited) US$'000	Non-controlling interests (Unaudited) US$'000	Total equity (Unaudited) US$'000
At 1 January 2012																
As previously reported	33,446	349,652	(56)	132	(3,276)	2,838	(463)	4,597	1,614	(713)	6,844	214,862	39,997	649,474	3,180	652,654
Effect of business combination	—	—	—	—	506	62	—	—	—	—	10	(82)	—	496	298	794
As restated	33,446	349,652*	(56)*	132*	(2,770)*	2,900*	(463)*	4,597*	1,614*	(713)*	6,854*	214,780*	39,997	649,970	3,478	653,448
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	41,679	—	41,679	39	41,718
Other comprehensive income for the period:																
Changes in fair value of hedging instruments, net of tax	—	—	—	—	—	—	—	—	—	1,275	—	—	—	1,275	—	1,275
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	55	—	—	55	(166)	(111)
Total comprehensive income for the period	—	—	—	—	—	—	—	—	—	1,275	55	41,679	—	43,009	(127)	42,882
Repurchase of shares	(56)	(884)	8	48	—	—	—	—	—	—	—	(48)	—	(932)	—	(932)
Capital contribution from the then holding company of the Group's subsidiaries	—	—	—	—	11,950	—	—	—	—	—	—	—	—	11,950	7,189	19,139
Deemed distributions to a company controlled by the controlling shareholder of the Company's ultimate holding company	—	—	—	—	(20,022)	—	—	—	—	—	—	—	—	(20,022)	(7,453)	(27,475)
Transfer to PRC reserve funds	—	—	—	—	—	446	—	—	—	—	—	(446)	—	—	—	—
Final 2011 dividend paid	—	—	—	—	—	—	—	—	—	—	—	—	(39,997)	(39,997)	—	(39,997)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(498)	(498)
Share option expense	—	—	—	—	—	—	—	—	626	—	—	—	—	626	—	626
At 30 June 2012	33,390	348,768*	(48)*	180*	(10,842)*	3,346*	(463)*	4,597*	2,240*	562*	6,909*	255,965*	—	644,604	2,589	647,193

* These reserve accounts comprise the consolidated reserves of US$611,214,000 (31 December 2011: US$576,527,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	2012 US$'000 (Unaudited)	2011 US$'000 (Restated)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**24,019**	42,809
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(150,741)**	(188,464)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(21,535)**	(18,042)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(148,257)**	(163,697)
Cash and cash equivalents at beginning of period	**435,778**	504,518
Effect of foreign exchange rate changes, net	**(1,442)**	8,434
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**286,079**	349,255
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**191,079**	230,134
Non-pledged time deposits with original maturity of less than three months when acquired	**95,000**	119,121
Cash and cash equivalents as stated in the statement of cash flows	**286,079**	349,255
Non-pledged time deposits with original maturity of over three months when acquired	**95,507**	92,822
Cash and cash equivalents as stated in the statement of financial position	**381,586**	442,077

1.1 CORPORATE INFORMATION

SITC International Holdings Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 9 April 2010. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY-1111, Cayman Islands. The Company's corporate headquarters in Hong Kong is located at Room 2203, 22/F, Office Tower, Convention Plaza, 1 Habour Road, Wanchai, Hong Kong.

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

During the period, the Group acquired the entire 100% interests in SITC Ship Management (Shandong) Co., Ltd. ("Shandong Shipping Management") and Qingdao SITC Logistics Park Management Company Limited ("Qingdao Logistics") 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) ("Qingdao SITC"), 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".

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are described in note 2 to the condensed consolidated interim financial statements.

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.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Early adoption of HKFRSs (continued)

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.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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) US$'000 (Unaudited)	Acquired Entities US$'000 (Unaudited)	JCEs US$'000 (Unaudited)	Elimination US$'000 (Unaudited)	The Group (combined) US$'000 (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) US$'000 (Audited)	Acquired Entities US$'000 (Unaudited)	JCEs US$'000 (Unaudited)	Elimination US$'000 (Unaudited)	The Group (combined) US$'000 (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

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

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 assets as at 30 June 2012

	Sea freight logistics US$'000 (Unaudited)	Land-based logistics US$'000 (Unaudited)	Total US$'000 (Unaudited)
Segment assets	307,872	340,462	648,334
Reconciliation:			
Elimination of intersegment receivables			(201,046)
Corporate and other unallocated assets			413,007
Total assets			860,295

2. OPERATING SEGMENT INFORMATION (CONTINUED)

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

Segment assets as at 31 December 2011

	Sea freight logistics US$' 000 (Restated)	Land-based logistics US$' 000 (Restated)	Total US$' 000 (Restated)
Segment assets	274,986	392,624	667,610
Reconciliation:			
Elimination of intersegment receivables			(281,113)
Corporate and other unallocated assets			465,209
Total assets			851,706

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(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)	(Restated)
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
	US$'000	US$'000
	(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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment at a total cost of US$56,354,000 (six months ended 30 June 2011: US$53,662,000 (restated)) and disposed of items of property, plant and equipment with a total net carrying amount of US$220,000 (six months ended 30 June 2011: US$67,000 (restated)).

10. TRADE RECEIVABLES

	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Restated)
Trade receivables	78,303	78,526
Impairment	(11)	(15)
	78,292	78,511

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 has a credit control department to minimise credit risk. 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. Trade receivables are non-interest-bearing.

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

	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Restated)
Within 1 month	62,924	70,500
1 to 2 months	12,266	7,298
2 to 3 months	2,356	544
Over 3 months	746	169
	78,292	78,511

10. TRADE RECEIVABLES (CONTINUED)

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

	2012 US$'000 (Unaudited)	2011 US$'000 (Restated)
At 1 January	**15**	17
Impairment losses recognised	**16**	—
Amount written off as uncollectable	**(15)**	—
Exchange realignment	**(5)**	—
At 30 June	**11**	17

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US$11,000 (30 June 2011: US$17,000 (restated)) with a carrying amount before provision of US$11,000 (30 June 2011: US$17,000 (restated)). The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables are amounts due from the companies controlled by the Controlling Shareholder, the Group's joint ventures and the Group's associates of US$1,599,000 (2011: US$1,386,000), US$4,880,000 (2011: US$5,007,000 (restated)) and US$2,303,000 (2011: Nil), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

11. TRADE PAYABLES

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

	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Restated)
Within 1 month	**100,223**	132,440
1 to 2 months	**9,217**	5,068
2 to 3 months	**3,630**	2,488
Over 3 months	**8,111**	1,107
	121,181	141,103

Included in the Group's trade payables are amounts due to the companies controlled by the Controlling Shareholder, the Group's joint ventures and the Group's associates of US$102,000 (2011: US$168,000), US$3,610,000 (2011: US$1,626,000 (restated)) and US$1,367,000 (2011: Nil), respectively, which are repayable within 30 days, which represents similar credit terms to those offered by the companies controlled by the Controlling Shareholder, the Group's joint ventures and the Group's associates to their major customers.

12. SHARE CAPITAL

In December 2011, the Company purchased in aggregate 10,300,000 ordinary shares of the Company for an aggregate consideration, before expenses, of approximately HK$18,564,000 (equivalent to approximately US$2,383,000). There were 5,900,000 purchased shares cancelled in December 2011 and the remaining 4,400,000 purchased shares were cancelled during the period.

In June 2012, the Company purchased in aggregate 3,780,000 ordinary shares of the Company for an aggregate consideration, before expenses, of approximately HK$7,243,000 (equivalent to approximately US$1,145,000). All of the purchased shares were subsequently cancelled in July 2012.

13. CAPITAL COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Restated)
Contracted, but not provided for:		
Container vessels	**130,900**	164,900
Office buildings	**—**	6,786
	130,900	171,686
Contracted, but not provided for:		
Capital contributions to joint ventures	**—**	1,176
	130,900	172,862

14. CONTINGENT LIABILITIES

As at the end of the reporting period, there were no significant contingent liabilities.

15. RELATED PARTY DISCLOSURES

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

	For the six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Restated)
Companies controlled by the Controlling Shareholder:		
Freight forwarding services income for marine transportation	**7,454**	2
Shipping agency fee expenses	**187**	—
Custom services income	**11**	—
Container vessels rental expenses	**1,274**	701
Vessel management income	**110**	—
Land and buildings rental expenses	**5**	—
Labour service fee expenses	**—**	388
Property management services expenses	**1**	—
Associates:		
Container marine transportation services income	**6,570**	—
Shipping agency fee expenses	**55**	252
Joint ventures:		
Container marine transportation services income	**42,416**	23,689
Freight forwarding services income for marine transportation	**1,005**	311
Warehousing expenses	**3,496**	—
Freight forwarding services expenses	**340**	—
Land and buildings rental expenses	**—**	147

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

15. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**877**	1,006
Post-employment benefits	**20**	44
Share option expense	**208**	86
Total compensation paid to key management	**1,105**	1,136

(c) Outstanding balances with related companies

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

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

(d) On 28 February 2012, the Group entered into an equity transfer agreement with Qingdao SITC pursuant to which the Group agreed to acquire and Qingdao SITC agreed to sell the entire 100% interest in Shandong Shipping Management at the consideration of RMB5,522,000 (equivalent to US$877,000), which was determined with reference to the net asset value of Shandong Shipping Management based on the management account of Shandong Shipping Management as at 31 November 2011. Further details of this transaction are included in note 1.1 to the financial statements.

(e) On 5 April 2012, the Group entered into an equity transfer agreement with Qingdao SITC pursuant to which the Group agreed to acquire and Qingdao SITC agreed to sell the entire 100% interest in Qingdao Logistics at the consideration of RMB169,000,000 (equivalent to US$26,598,000), which was determined with reference to the net asset value of Qingdao Logistics based on a valuation report prepared by an independent valuer. Further details of this transaction are included in note 1.1 to the financial statements.

16. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2012 US$'000 (Unaudited)	31 December 2011 US$'000 (Restated)	**30 June 2012 US$'000 (Unaudited)**	31 December 2011 US$'000 (Restated)
Financial assets				
Cash and cash equivalents	**381,586**	436,896	**381,586**	436,896
Pledged deposits	—	79	—	79
Trade receivables	**78,292**	78,511	**78,292**	78,511
Financial assets included in prepayments, deposits and other receivables	**6,898**	6,920	**6,898**	6,920
Due from related companies	**2,203**	1,470	**2,203**	1,470
Derivative financial instruments	**557**	—	**557**	—
	469,536	523,876	**469,536**	523,876
Financial liabilities				
Trade payables	**121,181**	141,103	**121,181**	141,103
Financial liabilities included in other payables and accruals	**19,117**	15,660	**19,117**	15,660
Derivative financial instruments	**636**	1,014	**636**	1,014
Interest-bearing bank borrowings	**64,116**	37,153	**64,116**	37,153
Due to related companies	—	1,918	—	1,918
	205,050	196,848	**205,050**	196,848

In addition, as at 30 June 2012, certain of the Group's available-for-sale investments amounting to US$681,000 (31 December 2011: US$376,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The remaining available-for-sales investments amounting to US$406,000 (31 December 2011: US$406,000) were based on quoted market prices.

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

The fair value of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

16. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The fair values of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

As at 30 June 2012:

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Available-for-sale investments	**406**	—	—	**406**
Derivative financial instruments	—	**557**	—	**557**
	406	**557**	—	**963**

As at 31 December 2011:

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
	(Audited)	(Audited)	(Audited)	(Audited)
Available-for-sale investments	406	—	—	406
Derivative financial instruments	—	—	—	—
	406	—	—	406

16. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Liabilities measured at fair value :

As at 30 June 2012:

	Level 1 US$'000 (Unaudited)	Level 2 US$'000 (Unaudited)	Level 3 US$'000 (Unaudited)	Total US$'000 (Unaudited)
Derivative financial instruments	—	**636**	—	**636**

As at 31 December 2011:

	Level 1 US$'000 (Audited)	Level 2 US$'000 (Audited)	Level 3 US$'000 (Audited)	Total US$'000 (Audited)
Derivative financial instruments	—	1,014	—	1,014

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 (2011: Nil) and no transfers into or out of Level 3 (2011: Nil).

17. EVENTS AFTER REPORTING PERIOD

In June 2012, the Company purchased in aggregate 3,780,000 ordinary shares of the Company for an aggregate consideration, before expenses, of approximately HK$7,243,000 (equivalent to approximately US$1,145,000). All of these shares were subsequently cancelled in July 2012.

18. COMPARATIVE AMOUNTS

As further explained in note 1.2 to the financial statements, due to the application of merger accounting for business combinations under common control and the early adoption of the new and revised HKFRSs, the comparative amounts have been restated.

19. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 August 2012.