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

Annual Report

2010

2010

Contents

Corporate Profile

SITC International Holdings Company Limited (the "Company" or "SITC") is a leading PRC-based shipping logistics company that provides integrated transportation and logistics solutions. We are the third largest overall and largest non-state-owned PRC-based container shipping company in terms of 2010 shipping capacity, according to Drewry Maritime Services (Asia) Pte Ltd ("Drewry"), an independent industry consultant. We focus exclusively on servicing the intra-Asia trade market, which is the largest in the world and one of the fastest growing in terms of shipping volume, according to Drewry.

As the leading shipping logistics company in the PRC, SITC is dedicated to serve the trading market in Asia. Reflecting this focus, we have became the fourth largest container shipping company (and the largest among PRC-based container shipping companies), based on 2009 shipping volume in the intra-Asia trade market. Capitalizing on our high-density route network, we provide a broad range of logistics services, and have been the largest PRC-based non-state-owned shipping logistics company since 2006 in terms of revenue.

The following map illustrates our intra-Asia container shipping route network as of 31 December 2010, including the trade lanes through joint services and the trade lanes through container slot exchange arrangements:

Our Company's business can be segregated into two main business segments: our sea freight logistics business and our land-based logistics business. For our sea freight logistics business, we seek to provide high-frequency container shipping services on our high-density intra-Asia route network. Together with our container shipping route network, our land-based logistics network offers integrated logistics services, including freight forwarding, shipping agency, depot and warehousing, customs clearance, trucking and ship brokerage services.

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

HEADQUARTER IN THE PRC

No. 30, 1388 Zhangdong Road
Pudong District
Shanghai
PRC

HEADQUARTER IN HONG KONG

Rooms 2202-2203, 22/F, Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

LIU Kecheng
XUE Peng

JOINT COMPANY SECRETARIES

LIU Kecheng
HO Siu Pik (ACS, ACIS)

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Corporate Information

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 (Listed on 6 October 2010)

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

COMPLIANCE ADVISOR

Citigroup Global Markets Asia Limited
50/F Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

WEBSITE

www.sitc.com

Financial and Operating Highlights

		2010	2009	Change
Results				
Turnover	US$'000	**891,510**	694,173	**28.4%**
Profit attributable to owners of the parent	US$'000	**111,983**	32,150	**248.3%**
Earnings per share	US cents	**4.31**	1.24	**247.6%**
Profit margin	%	**12.6**	4.7	**7.9%**
Net cash flows from operating activities	US$'000	**156,326**	45,777	**241.5%**
Financial Position				
Equity attributable to owners of the parent	US$'000	**593,636**	98,026	**505.6%**
Net current assets	US$'000	**462,588**	5,195	**8,804.5%**
Interest–bearing bank borrowings	US$'000	**78,416**	90,487	**(13.3%)**
Financial Ratio				
Return on equity (note 1)	%	**32.3**	32.6	**(0.3%) pt.**
Return on assets (note 2)	%	**19.6**	10.2	**9.4% pt.**
Assets turnover ratio (note 3)	times	**1.6**	2.2	**(0.6) time**
Gearing ratio	%	**N/A**	64.4	**N/A**
Operating Statistics				
Number of vessels operate as at year end	vessels	**49**	40	**9**
Shipping Volume – Sea freight logistics	TEU	**1,373,220**	1,186,842	**186,378**
Freight forwarding volume – Land-based logistics	TEU	**954,322**	540,875	**413,447**
Load factor	%	**71.7**	67.8	**3.9% pt.**

Note 1

Return on equity is calculated by using profit for the year and the average balance of total equity as at beginning of year and end of year.

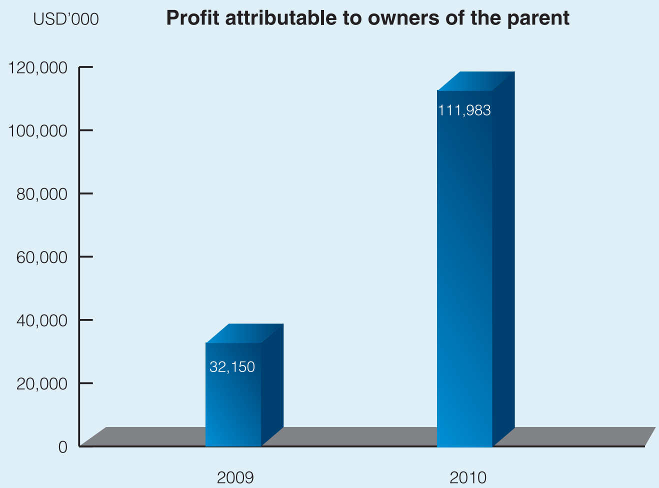
Note 2

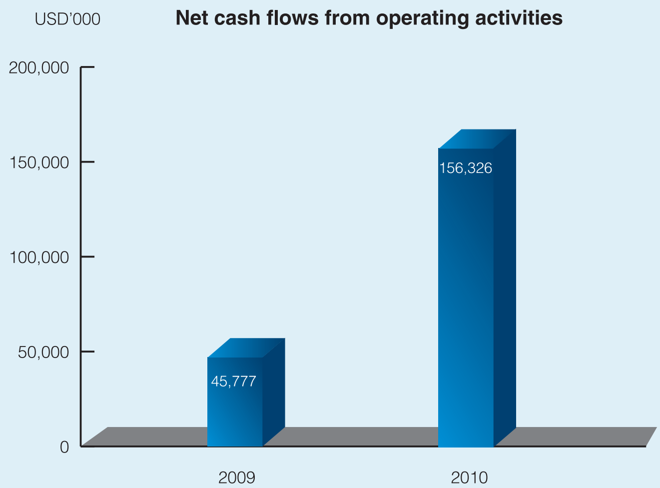
Return on assets is calculated by using the profit of the year and the average balance of total assets as at beginning of year and end of year.

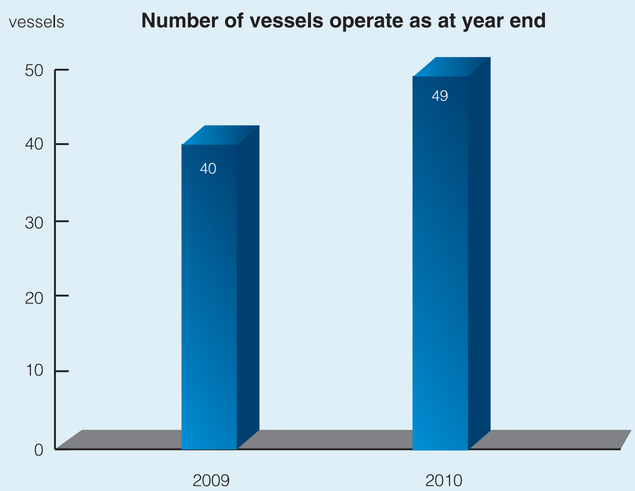
Note 3

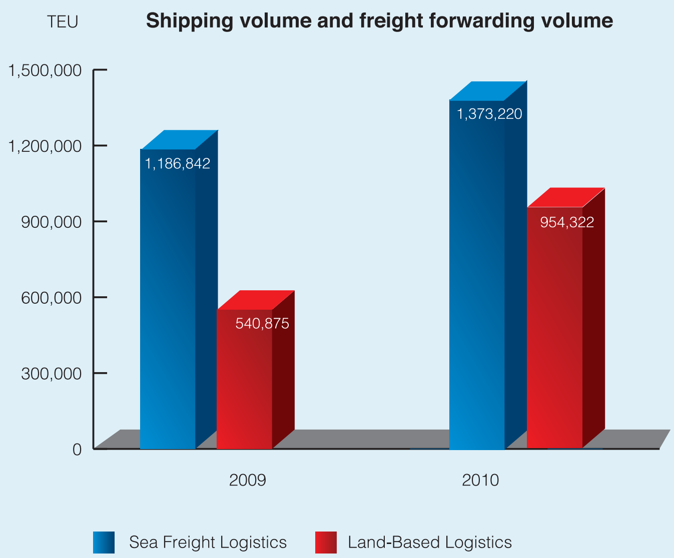
Assets turnover ratios is calculated by using the turnover and the average balance of total assets as at beginning of year and end of year.

Financial and Operating Highlights









Major Milestones in 2010

January

At the seventh China Freight Industry Awards:

- SITC Container Lines Co., Ltd. ("SITC Container Lines"), a subsidiary of SITC was awarded two first awards and one second award for the "China-Japan", "China-Korea" and "China-Southeast Asia" trade lanes.
- SITC Logistics Co., Ltd. ("SITC Logistics") was awarded the "Best Integrated Freight Forwarding Service Provider" and "Top Ten Regional Freight Forwarding Companies"
- SITC Shipping Agency, a subsidiary of SITC, was awarded the "Best shipping agency and non-vessel operating common carrier".
- Mr. YANG Shaopeng, the Chairman of the board of directors (the "Board"), received the "2009 Innovative Personality Award", the only individual prize for the award.

March

- On 26 March 2010, the headquarter of SITC in the PRC relocated to a new office in Zhangjiang, Pudong New District, Shanghai

April

- On 8 April 2010, SITC Container Lines (Thailand) Co., Ltd.（海豐集裝箱運輸（泰國）有限公司） was officially opened for business. Currently, SITC provides logistics services, including freight forwarding, shipping agency and shipping services in ports such as Bangkok and Laem Chabang of Thailand

July

- On 3 July 2010, SITC added two routes, namely CPS and CJV4 (route codes), which fulfill more diversified logistics demands between the Northeast Asia and Southeast Asia Markets. ("Northeast Asia Market" includes trade lanes solely among the PRC, Japan & Korea and "Southeast Asia Market" includes trade lanes that call on at least one port in Association of Southeast Asia Nations ("ASEAN"), Hong Kong or Taiwan.)

August

- On 12 August 2010, SITC entered into a strategic cooperation framework agreement with Shanghai International Port (Group) Co., Ltd.

October

- On 6 October 2010, SITC was successfully listed on the Main Board of the Stock Exchange (stock code: 1308)
- On 25 October 2010, SITC and a Vietnamese partner signed an agreement to jointly construct and operate a logistics park in the Dinh Vu Port, Hai Phong City in Vietnam

November

- On 10 November 2010, SITC received the followings awards at the Sixth China International Logistics Week:
  - 2010 Top Ten International Logistics Enterprises in China
  - 2010 Top 100 Logistics Brand Enterprise in China
  - 2010 Classical Logistics Solutions in China
  - 2010 Top Ten Logistics Park in China
  - Mr. YANG Shaopeng, the Chairman of the Board was awarded the China Top Ten Logistics Person of the year 2010.
- On 12 November 2010, SITC and Hanjin Shipping Co., Ltd. signed a strategic cooperation memorandum of understanding in Shanghai
- On 17 November 2010, SITC and a Korean shipbuilding company signed a shipbuilding contract to build one 953 TEU and two 1040 TEU container vessels
- On 18 November 2010, SITC added a new route, namely CTV (route code). The route is developed in the Beibuwan area of China where there are increasing trade intercourses between the ASEAN.
- On 24 November 2010, SITC and a Chinese shipbuilding company signed a shipbuilding contract to build four 1,100 TEU container vessels and has the option to build another four 1,100 TEU container vessels based on the same price in 2011

December

- On 13 December 2010, SITC and Qingdao Economic and Technology Development Zone Management Committee signed an agreement to develop second phase of SITC International Logistics Park project adjacent to the Port of Qianwan, Qingdao
- On 14 December 2010, SITC launched a new route, namely CJP2 (route code), connecting the Northeast Asia and Southeast Asia areas, which further strengthen our service networks
- On 15 December 2010, "Lloyd's List DCN" of the UK, an international shipping magazine, announced Mr. Yang Shaopeng, our Chairman of the Board as one of the "100 Most Influential People in Shipping for the year of 2010"
- On 24 December 2010, SITC and a Japanese shipbuilding company signed a shipbuilding contract to build two 1,100 TEU container vessels

Chairman's Statement

"We will continue to optimize our unique business model, expand our intra-Asia service network and replicate our integrated service model within our network to bring ourselves closer to the goal of becoming a world-class integrated logistics service provider."

Dear honourable shareholders,

On behalf of the Board of SITC International Holdings Company Limited ("SITC" or the "Company", together with its subsidiaries referred to as the "Group"), I hereby present to you the Group's annual results for the year ended 31 December 2010.

The global shipping sector was on its way back to a normal trail in 2010 after having hit a bottom in 2009. The market for long-haul routes such as Far East – Europe and Transpacific exhibited signs of revival, in line with the slow recoveries of economies in the United States and Europe. Benefitted from the buoyant development of Asian economies, the intra-Asia shipping market regained its strong development momentum.

China experienced a 10.3% growth in its gross domestic product in 2010, and has surpassed Japan as the world's second largest economy. Economies in Southeast Asian countries including Thailand and Vietnam grew at varying paces during the year. Capitalizing on these, the intra-Asia container shipping market experienced a remarkable growth in 2010, securing its position as the world's largest container shipping market. It can be foreseen that signing of the China – ASEAN Free Trade Agreement in 2010 will stimulate intra-Asia trade growth between China and the ASEAN countries and drive the rapid development of shipping and logistics industry in Asia, especially the China – Southeast Asian routes.

SITC is a leading PRC-based shipping logistics enterprise focusing on serving the intra-Asia trade market. The Group leverages its comprehensive transportation and logistics supply chain, unique business model, high quality clientele and high-frequently intra-Asia container shipping route network to derive full benefits from growth in trade and economies of China and other Asian countries.

The Group achieved notable performance during the year under review, with its turnover reaching approximately US$891.5 million, representing an increase of 28.4% from 2009. Profit before income tax amounted to approximately US$115 million, representing an increase of US$81.1 million from 2009. Profit attributable to owners of the parent company in 2010 amounted to approximately US$112.0 million, and carrying earnings per share were approximately US$4.3 cents. The Board resolved to recommend the payment for a final dividend of HK$0.12 per share.

SITC continued to outperform the industry for the whole year of 2010, achieving a total shipping volume of 1,373,220 TEU, up 15.7% from last year, at freight rate averaged US$506/TEU, up 12.4% year on year. The Group's land-based freight forwarding business processed 954,322 TEU in total volume, up 76.4% year on year. SITC has been achieving significant growth in its container shipping volume over the years and secured a 5.1% share in the Asia shipping market in 2010.

2010 was a momentous year in SITC's corporate history. The Company was successfully listed on the Stock Exchange on 6 October 2010. This successful tapping of funding sources from the international capital market provided strong support to the Group's efforts in expanding the scale and optimizing the structure of its fleet and strengthening and broadening its service network in the intra-Asia market to meet growing market demand.

Since the listing of the Company's shares on the Main Board of the Stock Exchange on 6 October 2010 (the "Listing"), the Group had been actively pursuing expansion of its fleet and as at 31 December 2010 had commissioned to construct a total of 9 container vessels. Together with the other 4 container shipping vessels that the Group had signed earlier options to construct, will aggregate the total number of container ships commissioned to be constructed to 13. From January 2011 to March 2011, the Group had commissioned to construct 2 new container vessels and purchased 1 second-hand container vessel. These orders were made to capitalize on the attractive new build prices. The acquisitions helped to expand the Group's self-owned fleet, a move which would allow us to secure a competitive cost position and increase the Group's profitability by riding on the shipping industry upturn. The Group targets to increase the total number of operating vessels in its fleet to 80 in the next three to five years from 49 as at 31 December 2010.

Additionally, as part of its efforts to replicate the logistics park business model within its intra-Asia network, SITC signed an agreement with a partner in Vietnam in late October, 2010 to build and operate logistics park facilities in Dinh Vu Port, Hai Phong city in northern Vietnam. The first phase of the Dinh Vu Port logistics park project will occupy a depot of 30,000 sq.m. Situated next to the port, this logistics park will enhance SITC's operation objective by significantly reducing the costs and increasing efficiency.

The Group signed another agreement with Qingdao Economic and Technological Development Zone Management Committee in December 2010, seeking to develop and construct phase two of its logistics park within Qianwan Port, Qingdao. This will be complementary to the existing operation of the 500,000 sq. m. logistics park phase one.

The Group's management is very confident about the business environment of intra-Asia container logistics in 2011. As its business expands, SITC will continue to optimize its unique business model, expand its intra-Asia service network and replicate its integrated service model within its network to bring itself closer to the goal of becoming a world-class integrated logistics service provider.

Finally, I would like to extend my heartfelt gratitude to our shareholders for their concern and support to the Group. I would like to express my appreciation to all directors ("Directors"), members of senior management and staff of the Group for their hard work during the past year. I believe that SITC is progressing towards its goal of becoming a world class shipping logistics enterprise and will deliver more outstanding results in the future.

YANG Shaopeng
Chairman
10 March 2011

Management Discussion and Analysis

OVERVIEW

Business Review

SITC is a leading PRC-based shipping logistics company that provides integrated transportation and logistics solutions.

In the year 2010, our sea freight logistics business continues to provide container shipping services that focus exclusively on the intra-Asia market as we believe that the intra-Asia trade market will continue to experience healthy growth. As of 31 December 2010, our intra-Asian trade lanes operated a total number of 53 trade lanes, including 6 trade lanes through joint services and 18 trade lanes through container slot exchange arrangements. These trade lanes cover 39 key ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand and the Philippines. As of 31 December 2010, we operated a fleet of 49 vessels with total capacity of 44,440 TEU, comprised of 15 self-owned and 34 chartered vessels, with an average age of 7.1 years. 41 of these 49 vessels were of the 1,000 TEU type. Revenue generated by our sea freight logistics business for the year 2010 amounted to an increase of approximately 30.1% as compared to the same period in the year 2009. The increase represents mainly the increases in revenue in the Southeast Asia Market and, to a lesser extent, the Northeast Asia Market.

Our land-based logistics business is another key part of our business model, including freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services. As of 31 December 2010, our freight forwarding network covered 19 major cities in the PRC, Japan and Korea, while our shipping agency network covered 33 major ports and cities in the PRC, Japan, Korea, Hong Kong, Vietnam, Thailand and the Philippines. We also operated approximately 540,000 m^2 of depot and 79,000 m^2 of warehousing space. Revenue generated by our land-based logistics business for the year 2010 amounted to an increase of approximately 74.1% as compared to the same period in the year 2009. The increase represents mainly the revenue increase from both our freight forwarding and shipping agency business as well as warehousing and other business.

The Group is very confident about the business environment for container shipping logistics within intra-Asia market in the year 2011. With the expansion of our business, we will continue to optimize our unique business model, expand our intra-Asia service network, as well as replicate our integrated service model within our network. Meanwhile, we will continue to expand our fleet by capturing moments of which vessel prices are of attractive level, so as to keep pace with the development of our business and secure a long-term competitive cost position. Through the above measures and together with our continuous enhancement on our information technology systems, we will strive for the goal in becoming a world-class integrated logistics service provider.

Market Review

While the year 2009 marked a downturn for the global shipping and trade sector, the year 2010 represents a recovery for the industry as a whole. In particular, the intra-Asia container shipping market (which is the focus of our sea freight logistics business) experienced a remarkable growth and remained the world´s largest containers shipping market.

As a whole, our Company continued to outperform the industry for the year 2010. For the year 2010, we marked a 15.7% increase of total shipping volume and an increase of 12.4% in terms of average freight rate. With the signing of the China-ASEAN Free Trade Agreement in 2010, it can be foreseen that the intra-Asia market will continue to grow and drive a rapid development of the shipping logistics industry in Asia.

Financial Overview

	Year ended 31 December							
	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**
	Sea freight logistics		Land-based logistics		Inter-segment sales		Total	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME:								
Revenue	534,086	**694,808**	271,609	**472,874**	(111,522)	**(276,172)**	694,173	**891,510**
Cost of sales	(507,890)	**(583,041)**	(227,782)	**(412,825)**	(111,522)	**(276,172)**	(624,150)	**(719,694)**
Gross profit	26,196	**111,767**	43,827	**60,049**			70,023	**171,816**
Other income and gains (excluding interest income)	3,289	**1,055**	230	**515**			3,519	**1,570**
Administrative expenses	(8,741)	**(18,495)**	(28,299)	**(33,649)**			(37,040)	**(52,144)**
Share of profit and losses of associates	—	**—**	74	**133**			74	**133**
Other expenses and losses	(1,601)	**(4,936)**	(13)	**(1,230)**			(1,614)	**(6,166)**
Segment results	19,143	**89,391**	15,819	**25,818**			34,962	**115,209**
Finance costs							(1,745)	**(1,678)**
Interest income							745	**1,484**
Profit before tax							33,962	**115,015**
Income tax expense							(1,482)	**(2,684)**
Profit for the year							32,480	**112,331**
Profit attributable to:								
Owners of the parents							32,150	**111,983**
Non-controlling interests							330	**348**
							32,480	**112,331**

Revenue

Our total revenue after inter-segment elimination increased by 28.4% from US$694.2 million for the year ended 31 December 2009 to US$891.5 million for the year ended 31 December 2010. This increase reflected increase in revenue of both sea freight logistics and land-based logistics segments, primarily reflecting (i) the increase in our shipping volume due to the new trade lanes, improvement in load factor and the higher average freight rate; as well as (ii) the growth of our freight forwarding business that call on the new sales channels bringing increase in terms of both shipping volume and average freight forwarding fee.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales after inter-segment elimination increased by 15.3% from US$624.2 million for the year ended 31 December 2009 to US$719.7 million for the year ended 31 December 2010. This increase was primarily attributable to business expansion, of which the costs of sea freight logistics, representing 78.9% of total costs of sales after inter-segment elimination, increased by 13.5% from the same period of last year. The costs of land-based logistics, representing 21.1% of the costs of sales after inter-segment elimination, increased by 22.6% from the same period of last year.

As a result of the foregoing, our gross profit increased from US$70.0 million for the year ended 31 December 2009 to US$171.8 million for the same period in 2010. Our gross profit margin increased from 10.1% for the year ended 31 December 2009 to 19.3% for the same period in 2010.

Administrative Expenses

Our administrative expenses increased from US$37.0 million for the year ended 31 December 2009 to US$52.1 million for the year ended 31 December 2010. The 40.8% increase was mainly attributable to (i) the appreciation of Japanese Yen against US$ from 93.09 as at 1 January 2010 to 81.11 as at 31 December 2010 which led to a foreign exchange loss of US$7.0 million in our Japanese Yen borrowing; (ii) nine new branches in PRC were established for our land-based logistic business during the year 2010 and they increased expenses of approximately US$2.0 million; (iii) our new headquarter of PRC located in Shanghai was put into use since January 2010, which increased depreciation charge on office buildings of approximately US$0.5 million; and (iv) US$0.7 million increase in information technology expenses in connection with several information technology improvement and maintenance projects.

Other Expenses and Losses

Our other expenses and losses increased from US$1.6 million for the year ended 31 December 2009 to US$6.2 million for the year ended 31 December 2010. The increase was mainly attributable to (i) the loss on early termination of US$3.3 million on the non-hedging derivative contract; (ii) provision for trade receivable amounted to US$0.9 million for the year 2010 whereas there was nil for 2009; and (iii) the US$0.6 million increase in the loss on properties, plant and equipment write-off and disposal.

Other Income and Gains (excluding interest income)

The US$1.9 million decrease for the year ended 31 December 2010 as compared to the same period in 2009 in the amount of our other income and gains was mainly attributable to (i) decrease in fair value gains on non-hedge derivative instruments from US$2.0 million in 2009 to US$1.0 million in 2010; and (ii) foreign exchange difference turned from a gain of US$1.3 million in 2009 to a loss in 2010 (such loss was recorded as administrative expenses in 2010).

Finance Cost

Our finance costs remain stable at approximately US$1.7 million for the year ended 31 December 2010, virtually no change from that of 2009. Our finance costs stemmed from the outstanding interest-bearing loans and our effective interest rates slightly increase from 1.8% for the year ended 31 December 2009 to 2.0% for the year ended 31 December 2010. This was primarily due to the floating interest rate for long term loans denominated in US dollar being locked in as fixed rate.

Interest Income

Our interest income increased from US$0.7 million for the year ended 31 December 2009 to US$1.5 million for the year ended 31 December 2010. The increase in interest income was mainly attributable to the increase in cash and cash equivalent balance throughout the year.

Profit Before Tax

As a result of the foregoing, our profit before tax increased from US$34.0 million for the year ended 31 December 2009 to US$115.0 million for the year ended 31 December 2010, an increase of 238.2% over that of 2009.

Income Tax Expense

Our income tax expenses increased by 80% from US$1.5 million for the year ended 31 December 2009 to US$2.7 million for the year ended 31 December 2010. This was primarily affected by the increase in profit tax from our entities registered in the PRC of US$1.15 million.

Profit for the Year

Our profit for the year ended 31 December 2010 was US$112.3 million, representing an increase of 245.5% over the profit of US$32.5 million for the year ended 31 December 2009.

Sea Freight Logistics

The following table sets forth selected income statement data for our sea freight logistics segment for the years indicated:

	Year ended 31 December			
	2009		2010	
	Amount US$'000	% of segment revenue	**Amount** US$'000	**% of segment revenue**
Income Statement Data:				
Sales to external customers	$430,147	80.5%	**433,796**	**62.4%**
Inter-segment sales	103,939	19.5%	**261,012**	**37.6%**
Segment revenue	$534,086	100.0%	**694,808**	**100%**
Northeast Asia Market	362,974	68.0%	**395,484**	**56.9%**
Southeast Asia Market	171,112	32.0%	**299,324**	**43.1%**
Cost of Sales	(507,890)	(95.1)%	**(583,041)**	**(83.9)%**
Equipment and cargos transportation costs	(295,452)	(55.3)%	**(337,247)**	**(48.5)%**
Voyage costs	(129,323)	(24.2)%	**(175,235)**	**(25.2)%**
Vessels costs	(83,115)	(15.6)%	**(70,559)**	**(10.2)%**
Gross Profit	26,196	4.9%	**111,767**	**16.1%**
Other income and gains (excluding interest income)	3,289	0.6%	**1,055**	**0.2%**
Administrative expenses	(8,741)	(1.6)%	**(18,495)**	**(2.7)%**
Other expenses and losses	(1,601)	(0.3)%	**(4,936)**	**(0.7)%**
Segment results	$19,143	3.6%	**89,391**	**12.9%**

The following table sets forth the number of our trade lanes and port calls per week as at the end of 2009 and 2010, as well as the average freight rates in the regions and for the years indicated:

	Year ended 31 December					
	2009	**2010**	2009	**2010**	2009	**2010**
	Number of trade lanes		Port calls per week		Average freight rate (US$ per TEU)	
Northeast Asia Market	38	**37**	159	**157**	470	**529**
Southeast Asia Market	11	**16**	74	**132**	413	**478**
Total	49	**53**	233	**289**	450	**506**

Revenue

Revenue of our sea freight logistics business before inter-segment elimination increased by 30.1% from US$534.1 million for the year ended 31 December 2009 to US$694.8 million for the year ended 31 December 2010, During the year, the shipping volume increased from 1.186 million TEU in 2009 to 1.373 million TEU in 2010 and the average freight rate increased from US$450 per TEU in 2009 to US$506 per TEU in 2010.

- *Northeast Asia Market*. Revenue from the Northeast Asia Market increased by 9.0% from US$363.0 million for the year ended 31 December 2009 to US$395.5 million for the year ended 31 December 2010, primarily reflecting a higher average freight rate. Our average freight rate in the Northeast Asia Market increased by 12.6% to US$529 per TEU for the year ended 31 December 2010 from US$470 per TEU for the year ended 31 December 2009, primarily reflecting improved market condition of the container shipping industry. Our shipping volume in the Northeast Asia Market decreased slightly to 747,248 TEU for the year ended 31 December 2010 from 772,119 TEU for the year ended 31 December 2009, due to reclassification of several trade lanes from the Northeast Asia Market to the Southeast Asia Market which in turn decreased our shipping volume in the Northeast Asia Market.

- *Southeast Asia Market*. Revenue from the Southeast Asia Market increased by 74.9% from US$171.1 million for the year ended 31 December 2009 to US$299.3 million for the year ended 31 December 2010, primarily reflecting an increase in average freight rate and shipping volume. Our average freight rate in the Southeast Asia Market increased significantly by 15.7% from US$413 per TEU for the year ended 31 December 2009 to US$478 per TEU for the year ended 31 December 2010, primarily reflecting improved market condition. Our shipping volume in the Southeast Asia Market increased to 625,972 TEU for the year ended 31 December 2010 from 414,723 TEU for the year ended 31 December 2009, primarily reflecting our efforts to rapidly expand our shipping network by increasing the number of port calls per week.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our sea freight logistics business increased by 14.8% from US$507.9 million for the year ended 31 December 2009 to US$583.0 for the year ended 31 December 2010. This increase primarily reflected increases in all major components of our cost of sales except for chartering expenses.

- Equipment and cargos transportation costs increased by 14.1% from US$295.5 million for the year ended 31 December 2009 to US$337.2 million for the same period in 2010, primarily reflecting an increase in loading and discharge cost by 14.8% from US$202.7 million for the year 2009 to US$232.7 million for the year 2010. Such increase primarily reflected the increase in the discharge and loading volume. The average loading and discharge expenses per TEU were generally stable during these periods. The costs of containers increased by 15.6% from US$31 million for the year ended 31 December 2009 to US$35.9 million for the year ended 31 December 2010. Such increase was primarily reflected from the average number of container leased increasing.

- Voyage costs increased by 35.5% from US$129.3 million for the year ended 31 December 2009 to US$175.2 million for the same period in 2010, primarily reflecting an increase in bunkers cost of 44% from US$89.9 million for the year ended 31 December 2009 to US$129.4 million for the year ended 31 December 2010. Increase in the bunkers cost for the year ended 31 December 2010 primarily reflected the increase in average bunker costs per tonne from US$386 in 2009 by 28.2% to US$495 in 2010, as well as an increase in our bunker consumption volume, due to our increased number of vessels. In addition, the port expenses increased by 16.1% from US$39.4 million in 2009 to US$45.8 million. This was primarily attributable to the increase in number of disembarking.

- Vessel costs decreased by 15.0% from US$83.1 million for the year ended 31 December 2009 to US$70.6 million for the same period in 2010, primarily reflecting an decrease in vessels chartering expenses by 24% from US$64.9 million for the year ended 31 December 2009 to US$49.3 million for the same period in 2010. Although the average number of our chartered vessels, which is calculated based on the daily weighted average number of vessels chartered, increased slightly from 26 for the year ended 31 December 2009 to 28 as of the year ended 31 December 2010, our vessels chartering expenses decreased significantly due to the significant decrease in the average charter rate, which was affected by a weaker global demand for container vessels at the time when we entered into the relevant charter agreements.

As a result of the foregoing, we recorded gross profit of US$111.8 million on our sea fright logistics business for the year ended 31 December 2010, primarily due to an increase in revenue and a significant decrease in vessels chartering expenses, partially offset by increases in loading and discharge cost and bunkers cost. The gross profit margin of our sea freight logistics business was 4.9% for the year ended 31 December 2009 and increased to 16.1% for 2010. The higher gross profit margin for the year ended 31 December 2010 was primarily due to an increase in overall average freight rate by 12.4%, mainly reflecting improved market condition of the container shipping industry. The cost of sales were relatively stable, mainly due to (i) stable average loading and discharge expenses per TEU, (ii) increased bunkers price per tonne and (iii) decreased average charter rate.

Other Income and Gains (excluding interest income)

The amount of our other income and gains (excluding interest income) in our sea freight logistics business mainly represented fair value gains on non-hedging derivative instruments, government subsidies and other investment income. Other income and gains decreased from US$3.3 million for 2009 to US$1.0 million for 2010 was mainly attributable to (i) the decrease in the fair value gain on our non-hedging derivative instruments; and (ii) the gain on foreign exchange difference in 2009 turned to a loss in 2010 (such loss item was recorded in administrative expenses in the year 2010).

Administrative Expenses

Administrative expenses of our sea freight logistics business increased significantly from US$8.7 million for the year ended 31 December 2009 to US$18.5 million in the same period in 2010. The increase primarily reflected (i) a significant increase in foreign exchange loss of US$7.7 million mainly attributable to our borrowings denominated in Japanese Yen; (ii) setup and maintenance costs of our information technology systems; and (iii) the full-year office buildings' depreciation costs of our China headquarter in Shanghai.

Other Expenses and Losses

Other expenses and losses for our sea freight logistics business increased by 206% from US$1.6 million for the year ended 31 December 2009 to US$4.9 million for the same period in 2010. The increase was primarily attributable to the fair value loss in derivative financial instruments and the realised loss on the termination of a derivative contract of the Group.

Segment Results

As a result of the foregoing, the segment results of our sea freight logistics business improved from US$19.1 million for the year ended 31 December 2009 to US$89.4 million for the year ended 31 December 2010.

Land-Based Logistics

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

	Year ended 31 December			
	2009		**2010**	
	Amount US$'000	% of segment revenue	**Amount US$'000**	**% of segment revenue**
Income Statement Data:				
Sales to external customers	264,026	97.2%	**457,714**	**96.8%**
Inter-segment sales	7,583	2.8%	**15,160**	**3.2%**
Segment revenue	271,609	100.0%	**472,874**	**100.0%**
Freight forwarding and shipping agency	253,185	93.2%	**441,287**	**93.3%**
Warehousing and others	18,424	6.8%	**31,587**	**6.7%**
Cost of Sales	(227,782)	(83.9)%	**(412,825)**	**(87.3)%**
Freight forwarding and shipping agency	(218,258)	(80.4)%	**(394,187)**	**(83.4)%**
Warehousing and others	(9,524)	(3.5)%	**(18,638)**	**(3.9)%**
Gross Profit	43,827	16.1%	**60,049**	**12.7%**
Other income and gains (excluding interest income)	230	0.1%	**515**	**0.1%**
Administrative expenses	(28,299)	(10.4)%	**(33,649)**	**(7.1)%**
Other expenses and losses	(13)	—	**(1,230)**	**(0.3)%**
Share of profits and losses of associates	74	—	**133**	**0.1%**
Segment results	$15,819	5.8%	**25,818**	**5.5%**

Revenue

The revenue of our land-based logistics business before inter-segment elimination increased by 74.1% from US$271.6 million for the year ended 31 December 2009 to US$472.9 million for the year ended 31 December 2010. This increase was attributable to increases in the revenue from both freight forwarding and shipping agency business as well as warehousing and other business.

- *Freight forwarding and shipping agency*. Revenue of our freight forwarding and shipping agency business increased by 74.3% from US$253.2 million for the year ended 31 December 2009 to US$441.3 million for the same period in 2010. This increase primarily reflected (i) an increase in average freight forwarding fee from US$406 per TEU for the year ended 31 December 2009 to US$415 per TEU for the year ended 31 December 2010 and (ii) an increase in the shipping volume from the year ended 31 December 2009 to the same period in 2010, both of which were primarily due to favorable market conditions and the expansion of sales channels for our land-based logistics.

- *Warehousing and others*. Revenue of our warehousing and other business increased by 71.7% from US$18.4 million for the year ended 31 December 2009 to US$31.6 million for the same period in 2010. This increase primarily reflected an increased number of containers handled by depot services.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our land-based logistics business increased by 81.2% from US$227.8 million for the year ended 31 December 2009 to US$412.8 million for the same period in 2010. This increase reflected increases in the costs of sales of both our freight forwarding and shipping agency business and our warehousing and other business.

- *Freight Forwarding and Shipping Agency*. Cost of sales of freight forwarding and shipping agency business increased by 80.6% from US$218.3 million for the year ended 31 December 2009 to US$394.2 million for the same period in 2010, primarily reflecting an increase in both shipping volume and the average freight rate charged by carriers.

- *Warehousing and others*. Cost of sales of our warehousing and other business increased by 95.8% from US$9.5 million for the year ended 31 December 2009 to US$18.6 million for the same period in 2010. This increase primarily reflected an increased number of containers handled by depot services.

As a result of the foregoing, our gross profit of our land-based logistics business increased by 37.0% from US$43.8 million for the year ended 31 December 2009 to US$60.0 million for the same period in 2010. The gross profit margin of our land-based logistics business was 16.1% and 12.7% for the year ended 31 December 2009 and 2010, respectively.

Other Income and Gains (excluding interest income)

Other income and gains of our land-based logistics business were US$0.5 million for the year ended 31 December 2010, mainly reflecting government subsidies we received. For the year ended 31 December 2009, other income and gains recorded for our land-based logistics business were US$0.2 million.

Administrative Expenses

Administrative expenses of our land-based logistics business increased by 19.1% from US$28.3 million for the year ended 31 December 2009 to US$33.7 million for the same period in 2010. The increase primarily reflected (i) setup of nine branches in PRC for our land-based logistics business; (ii) the full-year office buildings' depreciation costs of our headquarter in Shanghai; and (iii) setup and maintenance costs of our information technology systems.

Other Expenses and Losses

Other expenses and losses by our land-based logistics business was less than US$0.1 million and US$1.2 million for the years ended 31 December 2009 and 2010, respectively. The amount for 2010 mainly represented provision for impairment loss on trade receivable of US$0.2 million and write-off of construction-in-progress of US$1 million, respectively.

Segment Results

As a result of the foregoing, the segment results of our land-based logistics business increased by 63.3% from US$15.8 million for the year ended 31 December 2009 to US$25.8 million for the year ended 31 December 2010.

Assets and Liabilities

As at 31 December 2010, total assets of the Group amounted to US$800.4 million, representing an increase of US$454 million as compared to US$346.4 million as of 31 December 2009. On the other hand, the total liabilities of the Group decreased by 20.6% from US$246.5 million as of 31 December 2009 to US$204.4 million as of 31 December 2010.

The Group improved the gearing ratio* of 64.4% as at 31 December 2009 to net cash position as at 31 December 2010 as a result of the net proceeds received from the Listing completed in October 2010 as well as the improved profitability during 2010.

The trade receivable turnover days of the Group for 2009 and 2010 were 17.1 days and 18.7 days, respectively. The trade payable turnover days increased by 4.7 days to 41.8 days in 2010.

* *Gearing ratio is calculated using total liabilities less cash and bank balance over total equity as at balance sheet dates.*

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. YANG Shaopeng（楊紹鵬）, aged 54, is the Chairman of the Board of Directors, an executive Director, the Chairman of the nomination committee (the "**Nomination Committee**") and a member of the remuneration committee (the "**Remuneration Committee**") of our Company. Mr. Yang has been the Chairman of our Company since April 2006 and has been actively and extensively involved in the management and strategic development of our Company, and oversees the overall development of our Company. Mr. Yang graduated from Asia International Open University (Macau) in 2000 with a master's degree in business administration and completed a CEO class in China Europe International Business School in 2004. The CEO program is a non-degree specialized executive education program that is offered to address the business and management issues relating to industry consolidation, globalization, and economic reform. Mr. Yang has over 33 years of experience in the shipping industry through his employment in the shipping and foreign trade companies. From November 1988, Mr. Yang worked as an assistant general manager at Sinotrans (Shandong) Co., Ltd.（中國外運（山東）公司）, a state-owned shipping enterprise. From September 1990, he served as the deputy manager in the storage and transportation department of Shandong Foreign Trade Corporation ("**SFTC**"), a state-owned foreign trade corporation. From May 1991 to May 1992, he served as a deputy general manager of Shandong International Transportation Corporation and as general manager between May 1992 and December 1996. From December 1996 to January 2002, he served as the general manager in SITC Maritime (Group) Co., Ltd. ("**SITC Group**"). Prior to its restructuring in December 2000, SITC Group was a state-owned enterprise. From October 1998 to December 2000, Mr. Yang was a vice-president of SFTC. From January 2002 to January 2005, Mr. Yang served as the president of SITC Maritime Group Co., Ltd.（山東海豐國際航運集團有限公司）("**Shandong SITC**") and also as the chairman of the same company from January 2001. Mr. Yang is the spouse of our non-executive Director, Ms. Liu Rongli. Mr. Yang was appointed an executive Director on 9 April 2010. Save as disclosed above and in the Company's prospectus dated 20 September 2010 (the "**Prospectus**"), Mr. Yang Shaopeng is not related to any other Directors, senior management or substantial shareholder of our Company.

Mr. YANG Xianxiang（楊現祥）, aged 44, is the chief executive officer, an executive Director as well as a member of the Nomination Committee and Remuneration Committee of our Company. Mr. Yang has been a Director and chief executive officer of our Company since January 2008. He is actively involved in the management and the decision-making process of our Company. Mr. Yang graduated from Asia International Open University (Macau) with a master's degree in Business Administration in 2000 and completed a Chief Executive Officer Class in Tsinghua University in 2003. He also received a master's degree in business administration from China Europe International Business School in 2006. He completed a non-degree course in Sinology at Fudan University in 2009, which is a course on Chinese heritage classical study, and completed another non-degree Chief Executive Officer Class at the Cheung Kong Graduate School of Business in 2010. Mr. Yang has over 24 years of experience in the shipping industry through his employment in the shipping companies. In July 1987, Mr. Yang joined Lufeng Shipping Co., Ltd.（魯豐航運有限公司）("**Lufeng Shipping**"), a container shipping company, and was subsequently promoted to be a manager before he left in July 1997. From August 1997 to December 2001, he served as a general manager in SITC Container Lines (Shandong) Co., Ltd.（山東省海豐船務有限公司）. Between January 2002 and January 2005, he served as an executive vice president in Shandong SITC and as president in the same company between January 2005 and May 2007. From May 2007 to January 2008, he served as president of SITC Container Lines Co., Ltd.（新海豐集裝箱運輸有限公司）("**SITC Container Lines**") and as a chief executive officer of SITC Steamship (Shanghai) Co., Ltd.. Mr. Yang was appointed an executive Director on 9 April 2010.

Mr. LIU Kecheng（劉克誠）, aged 37, is an executive Director, joint company secretary and authorized representative of our Company. Mr. Liu has been a Director of our Company since December 2006. Since October 2010, Mr. Liu has been appointed as the Director for investment and securities, responsible for investments and equity funding. Mr. Liu graduated from Shandong Foreign Economic and Trade School in 1994 where he majored in foreign trade and accounting, and from Shandong University of Economics in 1996 where he majored in accounting. In 2005, he graduated from Renmin University of China majoring in accounting. He also received a master's degree in business administration from China Europe International Business School in 2007. Mr. Liu has over 17 years of experience in the shipping industry through his employment in the shipping companies. Mr. Liu worked as a financial supervisor in SFTC, a state-owned foreign trade corporation, from July 1994 to June 1998. From July 1998 to May 2000, he served as a finance manager in Shandong SITC International Container Storage and Transportation Company Limited（山東海豐國際集裝箱儲運有限公司）. Between June 2000 and January 2003, he served as the manager of the finance centre and the deputy general manager of Shandong SITC. From January 2003 to October 2003, he served as the deputy general manager in the planning & development center of Shandong SITC. Between October 2003 and December 2006, Mr. Liu served as the general manager of the investment and development center in Shandong SITC. From December 2006 to January 2008, he served as the director and chief financial officer of SITC Group Company Limited ("**SITC Holding**") and Shandong SITC. Mr. Liu was appointed an executive Director on 9 April 2010.

Ms. LI Xuexia（李雪霞）, aged 40, is an executive Director of our Company. Ms. Li has been a Director and director of human resources & IT of our Company since January 2008. Ms. Li graduated from Qingdao University in 1992 in Chinese Studies. She also obtained a master's degree in business administration from Asia International Open University (Macau) in 2000 and received a master's degree in business administration from China Europe International Business School in 2006. Ms. Li has over 17 years of experience in the shipping industry through her employment in the shipping companies. Ms. Li worked in the general office of Shandong International Transportation Corporation from October 1993 to May 1996 and she served as the general manager of the planning & development center of Shandong SITC from May 1996 to July 1998. Between August 1998 and October 2003, she served as a general manager of the planning center. From October 2003 to December 2007, she served as the chief administrative officer of Shandong SITC. She served as director of Shandong SITC from December 2006 to December 2007. Ms. Li was appointed an executive Director on 9 April 2010.

Mr. XUE Peng（薛鵬）, aged 40, is an executive Director, chief financial officer and authorized representative of our Company. Mr Xue has been a Director and chief financial officer of our Company since January 2008. Mr. Xue is responsible for finance accounting and cash management in our Company. Mr. Xue graduated from Shandong Province Foreign Trade and Economic Universtiy in 1991 majoring in financing acounting, and graduated from Shandong University of Economics in 1997 majoring in accounting. He was qualified as an accountant in 2004 and also obtained an undergraduate degree in accounting from Renmin University of China in 2006. He is attending a MBA program at China Europe International Business School. Mr. Xue has over 18 years of experience in the shipping industry through his employment in the shipping companies. From March 1993 to March 1996, Mr. Xue worked in Lufeng Shipping, a container shipping company. From March 1996 to January 1998, he served as a financial manager in Guang Lian Shipping Agency (Shandong) Company Limited（山東廣聯船務有限公司）, a company that is principally engaged in the shipping agency business. Between January 1998 and March 1999, he served as a financial manager in SITC Container Lines (Shandong) Co., Ltd. and Shandong SITC respectively. From March 1999 to February 2002, he served as the finance manager of SITC Japan Co., Ltd. Between February 2002 and January 2003, he served as the general manager of the supervision department in Shandong SITC. He served as a deputy general manager of the finance center of Shandong SITC from January 2003 to April 2006, and as the general manager of the finance department of SITC Holding between April 2006 and January 2008. Between April 2006 and January 2008, he also served as the financial manager of SITC Holding and SITC Shipping Agency (HK) Company Limited（新海豐船務代理（香港）有限公司）, respectively. Mr. Xue was appointed an executive Director on 9 April 2010.

Non-executive Director

Ms. LIU Rongli（劉榮麗）, aged 54, is a non-executive Director of our Company. Ms. Liu joined our Company in August 2006. Ms. Liu graduated from Shandong Cadres Correspondence College（山東幹部函授大學） in 1998 majoring in finance and has over 17 years of experience in finance through her employment in Hualu Group Company Limited（華魯集團有限公司）where she was involved in the financial management of this company. Hualu Group Company Limited（華魯集團有限公司）is a state-owned enterprise which is principally engaged in investment holding, pharmaceutical, chemical, international trade and property development. From November 1994 to January 2009, she served at in the Hualu Group Company Limited Qingdao Office（華魯集團有限公司青島辦事處）. She was also appointed as a director of Shandong SITC in December 2000. Ms. Liu is the spouse of our Chairman Mr. Yang Shaopeng. Ms. Liu was appointed a non-executive Director on 9 April 2010.

Independent Non-executive Directors

Mr. TSUI Yung Kwok（徐容國）, aged 42, is an independent non-executive Director, the chairman of the audit committee (the "**Audit Committee**") and a member of the Remuneration Committee of our Company. Mr. Tsui was appointed as our independent non-executive Director in September 2010. He was awarded a bachelor's degree in business (accounting) from Curtin University of Technology, Australia in 1992 and a master's degree in corporate governance from The Hong Kong Polytechnic University in 2007. Mr. Tsui has nearly 18 years of experience in accounting and finance through his senior position in an international accounting firm in Hong Kong from February 1994 to October 2003 and his office as the chief financial officer of Qin Jia Yuan Media Services Company Limited, a company listed on the Stock Exchange (Stock Code 2366) from 2003 to 2004. Mr. Tsui has been the chief financial officer and company secretary of Ju Teng International Holdings Limited, a company listed on the Stock Exchange (Stock Code 3336), since 2004. Mr. Tsui became an executive director of Ju Teng International Holdings Limited in June 2005. Mr. Tsui has also served as an independent non-executive director of Shenguan Holdings (Group) Limited, a company listed on the Stock Exchange in 2009 (Stock Code 829), since September 2009. Mr. Tsui is a member of the Institute of Chartered Accountants in Australia, the Australian Society of Certified Practising Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

Mr. YEUNG Kwok On（楊國安）, aged 50, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee of our Company. Mr. Yeung was appointed as our independent non-executive Director in September 2010. He is a Philips Chair Professor of human resources management at China Europe International Business School. He received a Ph.D. in business administration from University of Michigan in 1990. Mr. Yeung worked in Acer Group as the chief human resources Officer from early 1999 to June 2002. During the same period of time, he simultaneously served as the president of Aspire Academy under Acer Foundation. Mr. Yeung is a member of five editorial advisory boards, including Harvard Business Review (PRC), Human Resources Management Journal (USA), and Human Relations Journal (USA). Mr. Yeung is an expert in organizational capabilities, human resources strategy, and leadership development. He is an independent director of Trina Solar Limited, a company listed on the New York Stock Exchange (NYSE: TSL) and an independent non-executive director of Kingdee International Software Group Company Limited, a company listed on the Stock Exchange (Stock Code 268), respectively. Mr. Yeung also serves as independent board director for other three private corporations, and advises chief executive officers of several leading Chinese firms.

Dr. LO Wing Yan, William（盧永仁）, aged 50, was appointed as an independent non-executive Director and a member of the Audit Committee and Nomination Committee of our Company in September 2010. He received an M. Phil. and a Ph.D. degree, both from the University of Cambridge in England in March 1986 and March 1988, respectively. Dr. Lo is the founder and chairman of Strategenes Limited. Dr. Lo was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of Peace (J.P.) by the government of the Hong Kong. In 2003, he was appointed as a Member of Shantou Committee of the Chinese People's Political Consultative Conference. Dr. Lo is an Adjunct Professor of The School of Business of Hong Kong Baptist University as well as that of the Faculty of Business, Hong Kong Polytechnic University. He is also a governor of an independent school the ISF Academy as well as Junior Achievement Hong Kong. Dr. Lo is currently an independent non-executive director of Nam Tai Electronics, Inc. (New York Stock Exchange: NTE), Westminster Travel Limited (Singapore Stock Exchange: WTL), South China Land Limited (GEM of the Stock Exchange, Stock Code 8155) and Varitronix International Limited (the Stock Exchange, Stock Code 710).

Dr. Lo was an independent non-executive director of Ocean Grand Chemicals Holdings Limited (now known as Hong Kong Resources Holdings Company Limited) (the Stock Exchange, Stock Code 2882) from May 2003 to July 2006. Dr. Lo resigned his independent non-executive director position from Ocean Grand Chemicals Holdings Limited on July 18, 2006. In addition, Dr. Lo was an executive director, vice chairman, managing director and the chief financial officer of I.T. Limited (the Stock Exchange, Stock Code 999) from May 2006 to June 2009 as well as an independent non-executive director of China Renji Medical Group Limited (the Stock Exchange, Stock Code 648) from April 2002 to August 2008.

Mr. NGAI Wai Fung（魏偉峰）, aged 49, was appointed as an independent non-executive Director as well as a member of the Audit Committee, Remuneration Committee and Nomination Committee of our Company in September 2010. Mr. Ngai is currently a vice president of the Hong Kong Institute of Chartered Secretaries and chairman of its membership committee. He was a director and head of listing services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton), an independent integrated corporate services provider. Mr. Ngai was the company secretary of Industrial and Commercial Bank of China (Asia) Limited（中國工商銀行（亞洲）有限公司）, a company listed on the Stock Exchange (Stock Code 349), in 2005, the company secretary of China Unicom Limited（中國聯通股份有限公司）, a company listed on Stock Exchange (Stock Code 762), from 2001 to 2003, an executive director, the company secretary and the chief financial officer of the then Oriental Union Holdings Limited （東聯控股有限公司） (now known as CY Foundation Group Limited) （中青基業集團有限公司）, a company listed on the Stock Exchange from 1999 to 2001, which was involved in the business of feeder operation and management, sea and air freight-forwarding and depot services. Mr. Ngai has led or participated in a number of significant corporate finance projects including listing, mergers and acquisitions as well as issuance of debt securities, and the provision of professional services and support to many state-owned enterprises and red-chip companies in the areas of regulatory compliance, corporate governance and secretarial services. Mr. Ngai received a master's degree in business administration from Andrews University of Michigan in 1992 and a master's degree in corporate finance from Hong Kong Polytechnic University in 2002. Mr. Ngai is a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators and a fellow of the Hong Kong Institute of Company Secretaries, a fellow of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute. Mr. Ngai is currently an independent non-executive director of Bosideng International Holdings Limited (the Stock Exchange, Stock Code 3998), China Railway Construction Corporation Limited (the Stock Exchange, Stock Code 1186), BaWang International (Group) Holdings Limited (the Stock Exchange, Stock Code 1338), Powerlong Real Estate Holdings Limited (the Stock Exchange, Stock Code 1238), Franshion Properties (China) Limited (the Stock Exchange, Stock Code 817), Sany Heavy Equipment International Holdings Company Limited (the Stock Exchange, Stock Code 631), Biostime International Holdings Limited (the Stock Exchange, Stock Code 1112) and China Coal Energy Company Limited (the Stock Exchange, Stock Code 1898).

Mr. Ngai was independent non-executive director of China Life Insurance Company Limited (Stock Exchange, Stock Code 2628) from December 2006 to May 2009 and China Chief Cable TV Group Limited (now known as Code Agriculture (Holdings) Limited) (GEM of the Stock Exchange, Stock Code 8153) from October 2004 to October 2007.

SENIOR MANAGEMENT

The table below sets forth certain information in respect of the members of our senior management:

Name	Age	Position
XU Weili	47	Chief Officer of Safety Operation Centre
XIAO Senyuan	50	President of SITC Development Group Co., Ltd.
XUE Mingyuan	37	President of SITC Container Lines Co., Ltd.
JI Bin	37	President of SITC Logistics Co., Ltd.
YU Jian	44	General manager of SITC Shipping Agency (Shanghai) Co., Ltd.
JI Wenguang	37	General manager of SITC Brokers Co., Ltd.

Mr. XU Weili（徐偉力）has been our Chief Officer of Safety Operation Centre since October 2008 and is also responsible for internal audit. He graduated from Shanghai Maritime University with a bachelor's degree in Economics in 1986 and he received a master's degree in business administration from China Europe International Business School in 2006. Mr. Xu has over 25 years of experience in the shipping industry through his employment in the shipping companies. From 1986 to 1996, Mr. Xu worked in the accounting department of China Shipping Agency Qingdao, and from 1996 to 1999, he was seconded to Qingdao United Nation Shipping Agency Co., Ltd. as finance manager. From October 1999 to March 2000, he served as the assistant general manager in the finance center of Shandong SITC. From March 2000 to December 2006, he served as the chief financial officer and the general manager of finance center of Shandong SITC. From January 2007 to January 2008, he served as the chief financial officer of SITC Logistics.

Mr. XIAO Senyuan（肖森元）has been the president of SITC Development Group Co., Ltd. since January 2008. Mr. Xiao graduated from Qingdao Ocean Shipping Mariners College（青島遠洋船員學院）in 1980 in marine engineering. He also passed the English Post-Proficiency Test Band 6 for the COSCO system for chief engineer in 2000 and obtained a Certificate of Special Training for Seafarers（海船船員特殊培訓合格證書）in 2002. He obtained a certificate of Training for General Managers from China Europe International Business School in January 2011. Mr. Xiao has over 31 years of experience in the shipping industry through his employment in the shipping companies. He joined COSCO Shipping Co., Ltd. Qingdao Branch in August 1980 and served on board vessels in various engineering capacity until March 2003. He served as a engine maintenance supervisor for Shandong Shipping Management from April 2003 to April 2004. Between May 2004 and August 2007, he served as the manager of the ship technical department in Shandong Shipping Management. He served as the general manager of Shandong Shipping Management between September 2007 and December 2007.

Mr. XUE Mingyuan（薛明元）has been the president of SITC Container Lines since May 2010. Mr. Xue graduated from Shandong Foreign Economic and Trade School（山東省對外經濟貿易學校）in 1994 and was awarded a certificate for completing the courses in international trade and he passed the English language subject in Shandong University through self-study examination in 1994. He also obtained a master's degree in international shipping and transport logistics from the Hong Kong Polytechnic University in 2004. Mr. Xue has over 17 years of experience in the shipping industry through his employment in the shipping companies. He worked in the container business department of Lufeng Shipping between July 1994 and July 1997, and as an export manager for SITC Lianji (Shandong) Co., Ltd.（山東海豐聯集有限公司）, a freight forwarder, from August 1997 to January 1998. Between January 1998 and December 2003, he served as the manager of customer service department and the manager of marketing department of SITC Container Lines. From December 2003 to April 2010, he served as the vice-general manager and general manager of New SITC Korea.

Mr. JI Bin（季斌）has been the president of SITC Logistics Co., Ltd.since April 2010. Mr. Ji graduated from Jiangsu Maritime Institute（江蘇海事職業技術學院）in 1995 majoring in navigation and he graduated from Shandong University of Economics in 1999 majoring in international trade. In 2004, he graduated from Qingdao Ocean Shipping Mariners College（青島遠洋船員學院）majoring in transportation management. He obtained a master's degree in business administration from Asia International Open University (Macau) in November 2004 and completed the advanced training course of modern economic management in Tsinghua University in December 2004, and obtained the Senior Professional Manager Qualification Certificate. In September 2008, he also received a master's degree in business administration from China Europe International Business School in September 2008. In September 2008, he entered Shanghai Maritime University for a PHD degree in Transport and Communications Economy and Management. Mr. Ji has over 16 years of experience in the shipping industry through his employment in the shipping companies. He joined SFTC in 1995. He worked as an operation manager in SITC Container Lines (Shandong) Co., Ltd.(山東省海豐船務有限公司) from May 1997 to August 2000. From August 2000 to January 2002, he served as the deputy general manager of SITC Shipping Agency (Dalian) Co., Ltd.,(大連海豐國際船舶代理有限公司). From January 2002 to May 2004, he served as the general manager of SITC Shipping Agency (Tianjin) Co., Ltd.(天津新海豐國際船舶代理有限公司). From June 2004 to December 2005, he served as the vice president of SITC Container Lines and served as its president between December 2005 and April 2010.

Mr. YU Jian (余健) has been the general manager of SITC Shipping Agency (Shanghai) Co., Ltd.(上海新海豐國際船舶代理有限公司) since February 2001. Mr. Yu graduated from State Oceanic Administration Ningbo Ocean School(國家海洋局寧波海洋學校) in 1986 majoring in navigation, and he graduated from Qingdao Ocean Shipping Mariners College(青島遠洋船員學院) in 1989 majoring in navigation. Mr. Yu has over 21 years of experience in the shipping industry through his employment in the shipping companies. From April 1993 to February 1996, Mr. Yu worked as the shipping manager of Hong Kong Zhicheng International Shipping Company Limited(香港志成國際海運公司), a company that engages primarily in bulk carrier and ship chartering business. Between November 1999 and January 2001, he served as the operational manager of Taiwan Wan Hai Shipping Co., Ltd, Qingdao branch(台灣萬海航運公司青島辦事處), a container shipping company.

Mr. JI Wenguang (紀文光) has been the general manager of SITC Brokers (Shandong) Co., Ltd.(山東省海豐船舶經紀有限公司) since January 2005 and the general manager of SITC Brokers Co., Ltd., since July 2006. Mr. Ji graduated from Qingdao University in 1996 with bachelor's degree in Economics majored in international trading. He also obtained a master's degree in business administration from Business School of Nankai University in 2005. Mr. Ji has over 15 years of experience in the shipping industry through his employment in various shipping companies. After graduation in July 1996, he joined Shandong SITC as an assistant administration officer. In February 1998, he started his profession as shipbroker in SITC Brokers (Shandong) Co., Ltd. and served as manager of the chartering department from 2000 in charge of all chartering, sales and purchase and new building. In February 2004, he was appointed as manager of the shipping department of Shandong Steamship and rejoined SITC Brokers (Shandong) Co., Ltd. in January 2005 as its general manager.

JOINT COMPANY SECRETARIES

Ms. HO Siu Pik (何小碧), aged 47, is an associate of the Hong Kong Institute of Chartered Secretaries and also an associate of the Institute of Chartered Secretaries and Administrators. Ms. Ho is a joint company secretary of our Company. Ms. Ho is also the director of Tricor Services Limited and she has over 24 years of experience in the company management and secretarial field. She is currently the company secretary of Sands China Ltd. and China Molybdenum Co., Ltd., both of which are companies listed on the Stock Exchange. Sands China Ltd. and its subsidiaries are leading developers, owners and operators of integrated resorts and casinos in Macao. China Molybdenum Co., Ltd. and its subsidiaries are specialized in mining, dressing, smelting and processing of molybdenum and tungsten. She was appointed as a joint company secretary of our Company on September 10, 2010. In the service contract of Ms. Ho with our Company, Ms. Ho has agreed to maintain the confidentiality of all information she acquires by virtue of her appointment as the company secretary of the Company. She is not a full-time employee of our Company.

Mr. LIU Kecheng (劉克誠), is our joint company secretary. For details regarding Mr. Liu's experience, see the paragraph headed "Directors" under the section headed "Directors and Senior Management" in the report. Mr. Liu has over five years of experience in corporate secretarial services. Mr. Liu served as the company secretary in SITC Holding from October 2006 to January 2008, and has been company secretary of Shandong SITC since January 2006. He was appointed as a joint company secretary of our Company on September 10, 2010.

Report of the Board of Directors

The Directors of the Company are pleased to present their report and the audited financial statements for the year ended 31 December 2010 of the Group.

MAJOR BUSINESS

The Company is a leading PRC-based shipping logistics company that provides integrated transportation and logistics solutions. The analysis of the revenue of the Group for the year is set out in Note 5 to the Financial Statements.

FINANCIAL STATEMENTS

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income. The financial position as of 31 December 2010 of the Group is set out in the Consolidated Statement of Financial Position. The cash flow position of the Group during the year is set out in the Consolidated Statement of Cash Flows.

SHARE CAPITAL

The changes in capital of the Company during the year are set out in Note 30 to the Financial Statements.

FINAL DIVIDEND

At the Board meeting held on 10 March 2011 (Thursday), it was proposed that a final dividend of HK$0.12 per share be paid after 12 May 2011 to the shareholders of the Company whose names appear on the Company's register of members on 29 April 2011 (Friday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 29 April 2011(Friday).

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

BOOK CLOSE PERIOD

The Company's register of members will be closed from 27 April 2011 (Wednesday) to 29 April 2011 (Friday) (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the Company's annual general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 26 April 2011 (Tuesday) for registration of the relevant transfer.

RESERVE

Details of the changes in reserve of the Group during the year ended 31 December 2010 are set out in Note 32 to the Financial Statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Company's Articles of Associations. Under the Company's Articles of Associations, with the sanction of an ordinary resolution, dividend may be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose. As at 31 December 2010, the Company had distributable reserve amounting to approximately US$412,803,000.

PROPERTY, PLANT AND EQUIPMENTS

The changes in property, plant and equipments during the year are set out in Note 14 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 33.2% of the Group's total purchase. The aggregate percentage of turnover attributable to the Group's five largest customers accounted for approximately 38.2% of the Group's total turnover.

Save as disclosed below, none of the Directors nor his connected persons and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers:

(i) Mr. Yang Shaopeng, our Chairman of the Board and executive Director, who owns approximately 62.5% of the equity interest in SITC Maritime Group Co., Ltd. ("Shandong SITC"), a company incorporated in the PRC, which is one of the top five major customers of our Group. The revenue derived from such major customer as at 31 December 2010 amounted to 8.9% of the total revenue of our Group; Shandong SITC had not been one of our customers since our Company established our own agency company in May 2010.

(ii) Spouse of Mr. YANG Xianxiang, our executive Director, who owns an approximately 25% interests in Shanghai Jia Xiang Logistics Co., Ltd., a company incorporated in the PRC, which is one of the top five major customers of our Group. The revenue derived from such major customer as at 31 December 2010 amounted to 2.7% of the total revenue of our Group.

DONATION

During the year, the charitable contributions and other donations made in Hong Kong and China totalled HK$1.7 million.

DIRECTORS

The Directors in office during the year and as of the date of this report are as follows:

Executive Directors
YANG Shaopeng
YANG Xianxiang
LIU Kecheng
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

Details of the resume of the Directors and senior management are set forth in the section headed "Directors and Senior Management" of this report.

Pursuant to the terms of the articles of association of the Company (the "Articles of Association") and the Corporate Governance Code and the letters of appointments of all independent non-executive Directors, all of our Directors will retire in the coming annual general meeting, and being qualified, have offered to be re-elected and re-appointed at the annual general meeting.

SERVICE CONTRACTS OF DIRECTORS

Details of service contracts for our executive Directors and non-executive Directors are set out under the section headed "Appointment and Re-election of Directors" of the Corporate Governance Report below. There was no service contract entered by the Company and any Directors to be re-elected in the coming annual general meeting stipulating that the Company may not terminate the appointment without compensation payment (other than the statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in Note 36 to the Financial Statements and in the section headed "Connected transactions" below, there was no other significant contract with any member of the Group as the contracting party and in which the Directors of the Company possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

Our Chairman, Mr. YANG Shaopeng, through Better Master Investment Limited ("**Better Master**") and Resourceful Link Management Limited ("**Resourceful Link**") owns approximately 55.07% of the issued share capital in the Company. Mr. YANG Shaopeng, Better Master and Resourceful Link are the controlling shareholders of the Company. Mr. YANG Shaopeng also owns a 62.5% interest in Shandong SITC which is involved in the following businesses and have been excluded from the deed of non-competition provided by the controlling shareholders to the Company:

(a) SITC Steamship (Shandong) Co., Ltd. (山東海豐航運有限公司) ("**Shandong Steamship**"), a 100% subsidiary of Shandong SITC which is principally engaged in the ship-owning business, continues to hold operating licenses for the mainland China-Taiwan routes. The vessels that operate on this route belong to us but are chartered to Shandong Steamship for the mainland China-Taiwan route. However, as disclosed under the section entitled "Connected Transactions" in the prospectus of the Company dated 20 September 2010 (the "Prospectus"), these vessels are being used to operate such routes on terms that permit us to enjoy the charter fee revenues derived from such operation.

(b) Shandong Steamship, continues to own a PRC-registered vessel named the Hai Feng Lian Fa. According to the PRC Regulations Governing the Registration of Ships (中華人民共和國船舶登記條例) promulgated by the State Council on 2 June 1994 and effective as of 1 January 1995, only Chinese enterprises which are owned by Chinese domestic investors as to not less than 50% are permitted to own Chinese flag vessels, and the Company is therefore unable to acquire control of this vessel under applicable laws and regulations for the time being. However, this vessel is subject to a lease to us ending 31 December 2011.

(c) Yellow Sea Ferry Co., Ltd., a company in which Shandong SITC had a 4% interest and dissolved, and Shanghai-Shimonoseki Ferry, a company in which Shandong SITC holds a 20% stake and which carries on business providing ferry and related freight services between Taicang in the PRC and Shimonoseki in Japan.

(d) SITC Ship Management Co., Ltd. (山東省海豐船舶管理有限公司) ("**Shandong Shipping Management**"), a wholly-owned subsidiary of Shandong SITC, was principally engaged in ship management and crew management services. Shandong Shipping Management had been providing ship management and crew management services to us until our own ship management subsidiary, SITC Shipping Management (Shanghai) Co., Ltd. (上海海豐船舶管理有限公司) ("**Shanghai SITC Shipping Management**"), is established and has obtained all necessary qualifications and filing for operating ship management business of which has began its operation in January 2011. Shandong Shipping Management will continue to focus on the provision of crew management to the Company, and the provision of shipping management services to Shandong SITC. See "Connected Transactions" of the Prospectus for details.

(e) The Company has invested in companies in which Shandong SITC also has shareholding (whether or not such companies are our subsidiaries). These companies are companies in which we have already, in terms of economic interests, maximized our shareholding percentage to the highest extent permitted under the laws and regulations at such time. A list of such companies that the Company and Shandong SITC have both invested in are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

(f) In December 2009, SITC Container Lines and Shanghai Steamship entered into a joint venture contract to establish a joint venture, SITC Shipping (Shanghai) Co., Ltd. (上海海嵐豐航運有限公司), with the intention to engage in shipping and other businesses within the PRC that can only be conducted by enterprises which are majority owned by Chinese domestic Investors. The shareholding interest of SITC Shipping (Shanghai) Co., Ltd. is SITC Container Lines and Shanghai Steamship holding a 49% and a 51% equity interest, respectively. As at 31 December 2010, SITC Shipping (Shanghai) Co., Ltd. has not obtained all the necessary operation licenses and hence has not been commencing its operations yet.

We have received an annual written confirmation from each of the Company's controlling shareholders in respect of the compliance by them and their associates with the deed of non-competition entered into by and among our Company, our controlling shareholders, Mr. YANG Shaopeng, Better Master and Resourceful on 10 September 2010.

The independent non-executive Directors have reviewed the deed of non-competition and whether the controlling shareholders have abided by the non-competition undertaking. The independent non-executive Directors confirmed that they had determined that the controlling shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2010.

Save as disclosed, no Directors nor their respective connected persons possessed any interests in any business that competed or might compete with the business that the Group conducted.

SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board of Directors can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board of Directors 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). 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 Governing 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 of Directors, 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 shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme was adopted, no options have been granted.

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. 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 participant 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.

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 of granted during the year	Number of options exercised/ cancelled/lapsed during the year	Number of options not yet exercised on 31 December 2010	Approximate percentage of shareholding upon the exercise of the options
YANG Shaopeng (Executive Director)	10 September 2010	7,200,000	–	–	7,200,000	0.27%
YANG Xianxiang (Executive Director)	10 September 2010	5,220,000	–	–	5,220,000	0.19%
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	64,340,000	–	600,000 (Note 1)	63,740,000	2.45%
Total		**79,160,000**	**—**	**600,000**	**78,560,000**	**3%**

Note (1): Such 600,000 options had lapsed during the year due to termination of employment contract with certain employees.

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 the date on which dealings of the Company's shares first commence on the Stock Exchange (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.

DEBENTURE

At any time during the year the Company, its holding company or its subsidiaries were not the contracting parties of any arrangements from which the Directors could make a profit by purchasing the shares or debentures of the Company or any other companies.

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

As at the date 31 December 2010, 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, 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	1,431,898,158	55.07%
LIU Rongli(2)	Beneficiary of the Pengli Trust	1,431,898,158	55.07%
XUE Peng(3)	Beneficiary of the Watercrest Trust	12,866,176	0.495%
LI Xuexia(3)	Beneficiary of the Watercrest Trust	12,707,334	0.489%

Notes:

(1) The Shares are held by Resourceful Link, the issued share capital of which is owned as to 76.67% by Better Master. 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, 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 Wang Yanan, 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	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme (Note)
YANG Shaopeng	Beneficial owner	7,200,000	0.27%
YANG Xianxiang	Beneficial owner	5,220,000	0.19%
LIU Kecheng	Beneficial owner	800,000	0.03%
LI Xuexia	Beneficial owner	800,000	0.03%
XUE Peng	Beneficial owner	800,000	0.03%

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

(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 55.07% 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 55.07% 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 55.07% 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 the date 31 December 2010, 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	55.07%
Better Master[(1)]	Interest in controlled corporation	1,431,898,158	55.07%
Pengli Holdings Limited[(1)]	Interest in controlled corporation	1,431,898,158	55.07%
Barclays Wealth Trustees (Hong Kong) Limited[(1)]	Trustee	1,431,898,158	55.07%
Watercrest Profits Limited[(2)]	Beneficial owner	518,101,842	19.93%
Wang Yanan[(2)]	Trustee	518,101,842	19.93%

Notes:

(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.

(2) The sole shareholder of Watercrest Profits Limited is WANG Yanan, who holds such interest as the trustee for certain employees of the Company.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2010 are set out in Note 16 to the Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

Following the Listing, the transactions between the Group and certain connected persons of the Group became continuing connected transactions. The Company has applied and the Stock Exchange has on 20 August 2010 granted a waiver from, among others, strict compliance with the announcement and/or shareholders' approval requirements under Rule 14A.42(3) of the Listing Rules for the continuing connected transactions set out in the Prospectus of the Company. Details of the continuing connected transactions of the Company are as follows:

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Licensing of Trademarks by Shandong SITC to The Company

On 1 September 2010, the Company and Shandong SITC entered into a trademark license agreement pursuant to which, Shandong SITC has licensed to the Company the use of the "SITC," "新海豐," "海之豐" and "SITC" logo (the "**Trademarks**") for the Company's sea freight logistics and land-based logistics businesses. Shandong SITC is 62.5% owned by Mr. YANG Shaopeng, our chairman and controlling shareholder, transactions between the Company and Shandong SITC constitute connected transactions for the Company under the Listing Rules.

The Company has been using the Trademarks for its sea freight logistics and land-based logistics businesses. The trademark license would enable the Company to continue to use the Trademarks for the businesses of the Company. The right to use the Trademarks is granted on a royalty-free basis within the valid registration period of such Trademarks and is valid for a term commencing from the Listing Date and ending on 31 December 2012. The Company has an option to renew the trademark license agreement on one month's notice before the initial (or renewed) expiring date of the trademark license agreement, for a period of three years. Upon each exercise of a renewal option by the Company, Shandong SITC will be deemed to have granted a new option to the Company for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or independent shareholders' approval requirements under the Listing Rules shall have been complied with by the Company.

Long-Term Leases of Properties by Shandong SITC to the Company

Prior to the Listing Date, Shandong SITC had leased a property to each of Smart Logistics Co., Ltd. (山東捷豐國際儲運有限公司) ("**Smart Logistics**"), a 51% owned jointly-controlled entity of the Company, and SITC Transportation (Qingdao) Co., Ltd., an indirect wholly-owned subsidiary of the Company, for a term of 20 years and 10 years, respectively. The leased properties have been used by us as warehouses and depots. The terms of the tenancy agreements are set forth below:

Location	Connected party	Subsidiary of the Company involved	Term (year)	Approximate floor area (square meter)	2010 annual cap (US$)
Qingdao	Shandong SITC	Smart Logistics	20	149,230	715,320
Qingdao	Shandong SITC	SITC Transportation (Qingdao) Co., Ltd. (青島新海豐運輸有限公司)	10	5,000	17,850

The rent payable by our Company to Shandong SITC under the above leases is based on comparable market rates. For the year ended 31 December 2010, the rent paid by the Company for the two properties listed above were US$698,307.80 and US$13,300.25, respectively.

Property Management Services

In relation to the leased properties from Shandong SITC, the Company has also entered into a property management services agreement with Shandong SITC, pursuant to which Shandong SITC provides property management services, including security, cleaning and maintenance services for the leased properties of the Group.

Given that the Company has entered into long-term leases for certain properties with Shandong SITC, the Directors consider that it is also fair and reasonable and in the interest of the Company and the shareholders to also enter into a long-term property management services agreement with Shandong SITC to ensure that proper property management services will be provided. The terms of the property management services agreement for the provision of management services match the term of the leases (being 20 years and 10 years, respectively) of the relevant properties. The property management services fees charged by Shandong SITC on the relevant leased properties will be determined based on costs of providing the services, and for the year ended 31 December 2010, should not exceed the annual cap of US$53,700. For the year ended 31 December 2010, the property management fees paid was US$22,645.89.

Provision of Depot Services

On 1 September 2010, Smart Logistics and the Qingdao branch of Damco Global Logistics (Shanghai) Co., Ltd. (丹馬士環球物流（上海）有限公司) ("**Damco Logistics**") entered into an agreement for the provision of depot services by Smart Logistics to Qingdao branch of Damco Logistics for a term of three years ending on 31 December 2012.

The depot services were being provided by Smart Logistics in its normal and ordinary course of business. As Smart Logistics is 51% owned by the Company and 49% owned by Maersk Logistics Warehousing (China) Co., Ltd. (馬士基物流倉儲（中國）有限公司), another subsidiary of the A.P. Moller-Maersk Group and its affiliates ("**Maersk**"), Damco Logistics is therefore a connected person of the Company and transactions between the Company and Damco Logistics will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to the terms of the agreement, the annual cap for the provision of the depot services for 2010 should not exceed the annual cap of US$425,000. Due to better than expected demand for the depot services, on 9 December 2010, Smart Logistics and the Qingdao Branch of Damco Logistics entered into a supplemental agreement to revise the 2010 annual cap of the depot services to US$575,000. For further details about the increases in the annual caps, please refer to the announcement of Company dated 13 December 2010.

Service fees received by our Company in respect of the services provided to Damco Logistics were determined with reference to the historical transaction amounts and the expected recovery and increases in trade. For the year ended 31 December 2010, the depot services fees was US$556,010.

Bonded Warehousing Services

On 1 September 2010, Qingdao BLP Reko International Warehousing Co., Ltd. (青島保税物流園區捷奧國際倉儲有限公司) ("**Qingdao BLP**"), a wholly-owned subsidiary of Smart Logistics, and the Qingdao branch of Damco Logistics entered into an agreement for the provision of bonded warehousing services to Qingdao branch of Damco Logistics for a term of three years ending on 31 December 2012. As Damco Logistics is a connected person of the Company, the provision of the bonded warehousing services to Damco Logistics constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The services were being provided in the normal and ordinary course of business of Qingdao BLP and the service fees were determined with reference to prices of the expected trading of the bonded warehousing services. Pursuant to the terms of the bonded warehousing services agreement, the annual cap for the year ended 31 December 2010 should not exceed US$161,100. For the year ended 31 December 2010, bonded warehousing services charge amounted to US$153,686.83.

Containers Repair Services

On 1 September 2010, Sinokor Engineering Co., Ltd. ("Sinokor Engineering") and SITC Container Lines, a wholly-owned subsidiary of the Company, entered into an agreement for the provision of containers repair services by Sinokor Engineering to SITC Container Lines for a term of three years ending 31 December 2012.

Sinokor Merchant Marine Co., Ltd. (and its affiliates) ("**Sinokor**") is a substantial shareholder of SITC Container Lines (Korea) Co., Ltd. ("**New SITC Korea**"), a non-wholly-owned subsidiary of the Company, transactions between the Company and Sinokor Engineering constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The agreement was entered into in the ordinary course of business of SITC Containier Lines and the service fee was based on market prices. Pursuant to the term of the agreement, the annual cap for 2010 in respect of the container repair services should not exceed US$72,770. For the year ended 31 December 2010, container repair services fee paid by the Company amounted to US$59,390.85.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT ARE SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS

Provision of Ship Management Services by Shandong Shipping Management

Prior to the Listing Date, certain members of the Company entered into 15 management agreements with Shandong Shipping Management, a subsidiary of Shandong SITC, each in relation to the provision of management services by Shandong Shipping Management to a self-owned vessel of the Company.

The management services include: (a) crew management; (b) technical management; (c) surveys and dry-docking services; (d) in-port maintenance and repairs; and (e) supply of provisions for the vessels and the provision of lubricants, which were being provided to the Company in the ordinary course of the Company's business.

On 1 September 2010, the Company and Shandong Shipping Management entered into a master management agreement for the provision of the management services by Shandong Shipping Management to the Company in relation to these vessels. The master management agreement has a term commencing from the Listing Date and expires on 31 December 2012. The ship management services provided under the master management agreement has terminated since the establishment of our own ship management subsidiary, Shanghai SITC Shipping Management. Since its establishment and commencement of operations in January 2011, the ship management services has been provided by Shanghai SITC Shipping Management. Shandong Shipping Management continues to provide crew management services to the Company, because the Administrative Provisions for the Crewmember Service (中華人民共和國船員服務管理規定) promulgated by the MOT on 22 July 2008 and effective as of 1 October 2008, currently restrict offshore shipping companies from hiring crews directly in the PRC, and thus offshore shipping companies shall make such recruitment through a qualified domestic crewmember service supplier. When Shanghai SITC Shipping Management is incorporated and engaged in ship management operations, Shandong Shipping Management would focus on the provision of crew management services to the Company, and the provision of shipping management services to Shandong SITC.

The annual cap of the management fees to be charged by Shandong Shipping Management in relation to the provision of the management services to the Company for the year of 2010 was a sum of US$1,110,000. The management fees were determined with reference to historical transaction amounts and the expected addition to our fleet. For the year ended 31 December 2010, the amount of management fees actually incurred by the Company was 1,040,250.

Chartering of Vessel

On 1 January 2008, SITC Container Lines, our wholly owned subsidiary incorporated in Hong Kong, entered into an agreement with Shandong Steamship, a subsidiary of Shandong SITC, to charter a PRC flag vessel, Hai Feng Lian Fa, for a term of one year. Such term was amended on 1 January 2009 to three years from 1 January 2009 to 31 December 2011.

The chartering of Hai Feng Lian Fa was conducted in the ordinary and usual course of business of the Company with the charter fee being determined based on the relevant prevailing market rates. The annual cap for the chartering of the vessel Hai Feng Lian Fa for the year 2010 should not exceed US$1,387,000, and for the year ended 31 December 2010, the chartering fee for the chartering of the vessel Hai Feng Lian Fa was a sum of US$1,362,532.99.

Mutual Container Shipping Services with Sinokor

Prior to the Listing Date, New SITC Korea and SITC Container Lines have been providing container shipping services to Sinokor and Sinokor has also been providing container-shipping services to the Company, in each case, as part of Sinokor and our normal and ordinary course of business. As Sinokor is a substantial shareholder of New SITC Korea, a non-wholly-owned subsidiary of the Company, transactions between the Company and Sinokor constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On 1 September 2010, New SITC Korea and SITC Container Lines entered into an agreement with Sinokor for the provision of mutual container marine transportation services to Sinokor for a term of three years ending on 31 December 2012.

The following table sets forth the annual caps for 2010 and the actual amount of annual services fees incurred in relation to the mutual container marine transportation services for the year ended 31 December 2010:

	Service fees received from Sinokor (US$)	Service fees paid to Sinokor (US$)
Annual fee expected	1,413,500	2,165,700
Actual service fees involved	1,253,252	1,529,407

The service fees were determined with reference to signed contracts and were based on market prices and anticipated trading volume.

Mutual Shipping and Logistics Services with Qingdao SITC

Prior to the Listing Date, Smart Logistics has been providing depot services to SITC Shipping Agency (Qingdao) Co., Ltd. (青島新海豐國際船舶代理有限公司) ("Qingdao SITC") as part of the normal and ordinary course of business of Smart Logistics. Qingdao SITC has also been providing freight forwarding services to Smart Logistics. As Shandong SITC is a substantial shareholder of Qingdao SITC, transactions between Smart Logistics and Qingdao SITC constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On 1 September 2010, Smart Logistics and Qingdao SITC entered into an agreement for the provision of mutual shipping and logistics services for a term commencing from the Listing Date to 31 December 31, 2010. The Company has established its own shipping agency in the PRC Qingdao to provide the services being provided by Qingdao SITC.

The following table sets forth the annual caps for 2010 and the actual amount of annual services fees incurred in relation to the mutual shipping and logistics services for the year ended 31 December 2010:

	Logistics Service fees received from Qingdao SITC (US$)	Freight forwarding charges paid to Qingdao SITC (US$)
Annual fee expected	4,000,000	1,000,000
Actual service fees involved	2,277,153	499,367

The service fees were determined with reference to the historical transaction amounts and the anticipated business volume for 2010. Our Directors consider that the services agreement has been entered into under normal commercial terms and in the ordinary course of business.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Mutual Services Agreement with the Maersk Shipping

Prior to the Listing Date, Smart Logistics has been providing logistics services to Maersk (China) Shipping Co., Ltd. (馬士基中國航運有限公司) ("**Maersk Shipping**") and receiving container shipping services from Maersk Shipping, in each case, as part of the normal and ordinary course of business of Smart Logistics and Maersk Shipping. Maersk Shipping is a subsidiary of Maersk. Transactions between the Company and Maersk Shipping constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On 1 September 2010, Smart Logistics and Maersk Shipping entered into a mutual services agreement for the provision of logistics services by the Company to Maersk Shipping and the provision of container shipping services by Maersk Shipping to the Company for a term of three financial years ending 31 December 2012.

The service fees were determined with reference to the historical transaction amounts between Smart Logistics and Maersk Shipping and the anticipated business volume. Due to better than expected demand for logistics services, Smart Logistics and Maersk Shipping had on 9 December 2010 entered into a supplemental agreement to revise the annual cap to be received and paid by Smart Logistics for the year 2010 from US$2,914,384 and US$21,235,465 to US$3,220,000 and US$24,240,000, respectively. For further details about the increases in the annual caps, please refer to the announcement of Company dated 13 December 2010.

The following table sets forth the annual caps for 2010 and the actual amount of annual services fees incurred in relation to the mutual services for the year ended 31 December 2010:

	Logistics Service fees received by the Company (US$)	**Container shipping service fee paid to Maersk Shipping (US$)**
Annual fee expected (as revised)	3,220,000	24,240,000
Actual service fees involved	3,081,900	24,180,342

Mutual Services Agreement with TVL

Prior to the Listing Date, SITC Container Lines, a subsidiary of the Company, has been providing container shipping services to T.V.L. International (Holdings) Co., Ltd. ("TVL") and TVL has been providing container shipping agency services to the Company, in each case, as part of TVL and our ordinary course of business. As TVL is a 30% substantial shareholder of SITC Shipping Agency (HK) Co., Ltd., a subsidiary of the Company, transactions between the Company and TVL constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On 1 September 2010, SITC Container Lines and TVL entered into an agreement for the provision of mutual services for a term of three financial years ending 31 December 2012.

The service fees were determined with reference to the historical transaction amounts and the anticipated business volume for 2010, 2011 and 2012. Due to larger scale of cooperation between the parties for 2010, on 9 December 2010, SITC Container Lines and TVL entered into a supplemental agreement to revise the annual cap to be received by SITC Container Lines under the mutual service agreement for the year 2010 from US$16,450,000 to US$17,710,000. For further details about the increase in the annual cap, please refer to the announcement of Company dated 13 December 2010.

The following table sets forth the annual caps for 2010 and the actual amount of annual services fees incurred in relation to the mutual services for the year ended 31 December 2010:

	Service fees received received from TVL (US$)	**Service fees paid to TVL(US$)**
Annual fee expected (as revised)	17,710,000	480,500
Actual service fees involved	16,803,912	387,941

Agency Services

Prior to the Listing Date, SITC Container Lines has entered into agency agreements with shipping agency subsidiaries of Shandong SITC in relation to the shipping agency services provided by the shipping agency companies of Shandong SITC to the Company.

On 1 September 2010, the Company and Shandong SITC entered into a master agency agreement to govern the mutual services provided by the shipping agency companies of Shandong SITC to us. Pursuant to the master agency agreement, SITC Container Lines will provide container shipping services to the shipping agency companies of Shandong SITC and the shipping agency companies of Shandong SITC will provide agency services to us. The master agency agreement has a term commencing from the Listing Date and expiring on 31 December 2012. We have established a wholly-owned subsidiary to provide shipping agency services to the vessels we own or operate. This subsidiary has begun providing agency services since late May 2010.

The following table sets forth the annual caps for 2010 and the actual amount of annual services fees incurred in relation to the agency services for the year ended 31 December 2010:

	Freight charge received by the Company (US$)	**Freight and shipping agency charges paid by the Company (US$)**
Annual fee expected (as revised)	101,000,000	17,775,370
Actual service fees involved	100,426,295	17,674,157

The service fees were determined with reference to the historical transaction amounts with the shipping agency companies of Shandong SITC and the anticipated increases in trading volume.

SPECIAL CASE

On 1 October 2009, SITC Container Lines, a wholly-owned subsidiary of the Company, and Shandong Steamship, an indirect wholly-owned subsidiary of Shandong SITC, entered into a vessels charter agreement, pursuant to which the Company chartered two container vessels, "*SITC Shanghai*" and "*SITC Kaohsiung*", to Shandong SITC for the operation of the mainland China-Taiwan route. Shandong Steamship has been operating the mainland China-Taiwan route since 2003.

Pursuant to the vessels charter agreement, Shandong Steamship has appointed the Company as its representative for the route, and the charter fee of the vessels shall be the equivalence of the freight charges and service fees income for operating the route. Pursuant to such arrangement, SITC Container Lines shall be responsible for all costs in relation to the operation of the two vessels. Given that: (i) we, as the representative for Shandong Steamship, will be responsible for the business dealings with the qualified shipping agencies and freight forwarders and; and (ii) we would collect freight charges for Shandong Steamship, the economic interests and risks from such operation are passed upon us, and Shandong Steamship will not receive any benefit under the vessels charter agreement.

Due to operational reasons in our normal course of business, and the expiry of the sailing permits of the vessels under the agreement, in mid-2010 we have replaced the charters of "*SITC Shanghai*" and "*SITC Kaohsiung*" by two other vessels, "*SITC Keelung*" and "*SITC Pyeongtaek*". The sailing permits of "*SITC Keelung*" and "*SITC Pyeongtaek*" are valid until 30 June 2011.

Although we are not the operator of the mainland China-Taiwan route under the vessels charter agreement, we are able to derive the entire economic interests and risks of the operation of the mainland China-Taiwan route under the present arrangement. In light of the gradual improvement of the relationship across the Taiwan Strait, we believe that the trade volume across the Taiwan Strait may increase in the future. Therefore, our Directors believe that the arrangement under the vessel charter agreement is important to our container shipping business, and thus it is in the best interest of the Company to enter into the long-term vessels charter agreement. Given that: (i) Shandong Steamship does not derive any economic benefits from the mainland China-Taiwan route; (ii) Shandong SITC has undertaken not to engage in the mainland China-Taiwan route if we receive approval to operate the route directly; and (iii) the seeking of independent shareholders' approval once every three years would result in unnecessary expenses and inconvenience placed on the Company, our Directors consider the transactions under the vessels charter agreement occupy a special position on the related provisions under the Listing Rules on connected transactions and should not be subject to the usual term of three years or be limited by a fixed term. In this connection, our Directors consider that it would not be appropriate to subject the vessels charter agreement to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and thus we have applied to the Stock Exchange for and the Stock Exchange has granted a perpetual waiver from the strict compliance with the requirements of (i) the announcement and independent shareholders' approval, (ii) setting an annual cap for the transactions and (iii) fixing the term of the vessels charter agreement to three years or less.

Pursuant to Rule 14A.37 of the Listing Rules, all independent non-executive Directors have reviewed the above continuous connected transaction, and confirmed that the transactions were entered into:

1. in the ordinary and usual course of business of the Group;
2. under normal commercial terms or not less favourable terms that the Group receives or provides services from an independent third party or obtains from an independent third party; and
3. in accordance with the agreements related to the above continuous connected transaction, the terms of which are fair and reasonable and for the overall benefit of the shareholders of the Company.

In accordance with Rule 14A.38 of the Listing Rules, and based on the work performed, the Auditor of the Company confirmed to the Board of Directors that the aforesaid continuing connected transactions:

1. have been approved by the Board of Directors of the Company;
2. are in accordance with the pricing policy of the Group;
3. have been entered into under the terms of the related agreements governing the transactions; and
4. save as otherwise disclosed, have not exceeded the relevant cap allowed by the Stock Exchange in the previous waiver.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2010, the Group had an aggregate of 939 full-time employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to corporate performance, individual performance and current market salary scale.

CONFIRMATION OF INDEPENDENT STATUS

The Company received the letters of confirmation of independency issued by all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board of Directors was satisfied with the independent status of all the independent non-executive Directors.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

In October 2010, the Group completed its Listing and raised proceeds of approximately US$384.9 million. We have utilised such net proceeds in the manner consistent with that mentioned under the section headed "Future Plans and Use of Proceeds from the Global Offering" of the Company's Prospectus. For the year ended 31 December 2010, the Company has used approximately US$169.3 million (being the contract price, as of the date hereof, the total actual amount paid is US$33.6 million from such proceeds to construct 9 container vessels and applied approximately US$0.9 million as a small amount of the fixed asset. The balance of the un-utilized proceeds will be applied by the Company for the construction or purchases of additional vessels, containers, land-based logistics and for general working capital purposes.

CORPORATE GOVERNANCE

The Company strived to maintain high corporate governance standard and complied with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and there being no deviation from the code provisions since the date of the Listing of the Company on the Main Board of the Stock Exchange in October 2010. Further information of the corporate governance practice of the Company is set out in the Corporate Governance Report.

PURCHASE, SALE AND RE-PURCHASE OF SHARES

Save for the global offering of the Company as disclosed in the Prospectus, there was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2010.

As set out in the Prospectus, the Company offered an aggregate of 650,000,000 shares as part of the Global Offering (as defined in the Prospectus). The securities of the Company were listed in the Stock Exchange on 6 October 2010.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in Note 40 to the Financial Statements.

FOUR YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past four years is set out in the section headed "Four Year Financial Summary" on pages 145 to 146 of this report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Articles of Association of the Company or the ordinance of Cayman Islands. It is stipulated that any new shares shall be offered according to the respective shareholding of the existing shareholders of the Company when new shares are issued by the Company.

ADEQUATE PUBLIC FLOAT

Based on information that is publicly available to our Company and within the knowledge of our Directors, our Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules as at the date of this annual report.

AUDITORS

The Company appointed Ernst & Young as the Auditors of the Company for the year ended 31 December 2010. The Company will submit a resolution in the coming annual general meeting to re-appoint Ernst & Young as the Auditors of the Company.

For and on behalf of the Board of Directors

YANG Shaopeng

Chairman

10 March 2011

Corporate Governance Report

The Board of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules of the Stock Exchange.

In the opinion of the Directors, the Company has complied with all the code provisions set out in the CG Code since the Listing Date to the end of the financial year of 2010. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

THE BOARD OF DIRECTORS

RESPONSIBILITIES

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the chief executive officer, of which the Directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

BOARD COMPOSITION

The Board currently comprises ten members, consisting of five executive Directors, one non-executive Director and four independent non-executive Directors.

The Company has adopted the recommended best practice under the CG Code for the Board to have at least one-third of its membership comprising independent non-executive directors. The composition of the Board is set out below:-

Executive Directors

Mr YANG Shaopeng	Chairman
Mr YANG Xianxiang	Chief Executive Officer
Mr LIU Kecheng	Joint Company Secretary
Ms LI Xuexia	
Mr XUE Peng	

Non-Executive Director

Ms LIU Rongli

Independent Non-Executive Directors

Mr TSUI Yung Kwok
Mr YEUNG Kwok On
Dr LO Wing Yan, William
Mr NGAI Wai Fung

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Directors and Senior Management" on page 21 of this report.

During the period from the Listing Date to 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

The non-executive Director and independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the chief executive officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr YANG Shaopeng, and the chief executive officer is Mr YANG Xianxiang. The positions of Chairman and chief executive officer are held by separate persons in order to preserve independence and a balance of views and judgement. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive and non-executive Directors of the Company is engaged on a service contract for a term of three years, and the appointment may be terminated by not less than one month's written notice; while each of the independent non-executive Directors of the Company is engaged on a service contract for a term of one year. The appointment may be terminated by not less than two months' written notice.

In accordance with the Company's Articles of Association, all Directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy shall submit himself / herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's articles of association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive Directors.

Nomination Committee

The Nomination Committee comprises five members, Mr YANG Shaopeng (Chairman), Mr YANG Xianxiang, Mr YEUNG Kwok On, Dr LO Wing Yan, William and Mr NGAI Wai Fung, the majority of which are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive Directors.

In accordance with the Company's articles of association, one-third of the Directors of the Company, shall retire and being eligible, offer themselves for re-election at the next forthcoming annual general meeting and every Director shall be subject to retirement at the annual general meeting at least once every three years.

During the year ended 31 December 2010, no meeting has been convened by the Nomination Committee because the Company was just listed on 6 October 2010, and most of the Directors were appointed in April and September 2010, respectively. The Nomination Committee therefore considers that it is not necessary to review the size and composition of the Board and identify any new board member for the period from the Listing Date to 31 December 2010. In addition, according to the Company's articles of association, all the Directors are subject to re-election at the forthcoming annual general meeting, the Nomination Committee therefore considers that it is not necessary to make any recommendation on the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting.

The Company's circular dated 28 March 2011 contains detailed information of the Directors standing for re-election.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his / her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management, including chief executive officer, chief financial officer and joint company secretary, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

During the period from 9 April 2010 (date of incorporation) to 31 December 2010, five Board meetings were held, including for approving the listing matters, reviewing and approving the financial and operating performance, nine months results for the period ended 30 September 2010 as well as considering and approving the overall strategies and policies of the Company.

The attendance records of each Director at the Board meetings for the period from 9 April 2010 (date of incorporation) to 31 December 2010 are set out below:

Name of Director	Attendance / Number of Meetings
Mr YANG Shaopeng	5/5
Mr YANG Xianxiang	4/5
Mr LIU Kecheng	5/5
Ms LI Xuexia	4/5
Mr XUE Peng	4/5
Ms LIU Rongli	3/5
Mr TSUI Yung Kwok	3/5
Mr YEUNG Kwok On	1/5
Dr LO Wing Yan, William	2/5
Mr NGAI Wai Fung	3/5

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2010.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has delegated a schedule of responsibilities to the chief executive officer and senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

The Board also has the full support of the chief executive officer and the senior management for the discharge of its responsibilities.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the period from the Listing Date to 31 December 2010 are set out on page 99 in note 8 to the Financial Statements.

REMUNERATION COMMITTEE

The Remuneration Committee comprises five members, namely Mr YEUNG Kwok On (Chairman), Mr YANG Shaopeng, Mr YANG Xianxiang, Mr TSUI Yung Kwok and Mr NGAI Wai Fung, the majority of which are independent non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his / her associates will participate in deciding his / her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management from the Listing Date to 31 December 2010 under review.

The Remuneration Committee held one meeting during the period from the Listing Date to 31 December 2010 and the attendance records are set out below:

Name of Director	Attendance / Number of Meeting
Mr YEUNG Kwok On	1/1
Mr YANG Shaopeng	1/1
Mr YANG Xianxiang	1/1
Mr TSUI Yung Kwok	1/1
Mr NGAI Wai Fung	1/1

ACCOUNTABILITY AND AUDIT

DIRECTORS' RESPONSIBILTIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the period from the Listing Date to 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

INTERNAL CONTROLS

During the period from the Listing Date to 31 December 2010, the Board conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr TSUI Yung Kwok (Chairman), Dr LO Wing Yan, William and Mr NGAI Wai Fung, of which two independent non-executive Directors possess the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the period under review, the Audit Committee reviewed the quarterly results for the 9 months ended 30 September 2010 and the annual results for the year ended 31 December 2010, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held two meetings during the period from the Listing Date to 31 December 2010 and the attendance records are set out below:

Name of Director	Attendance / Number of Meetings
Mr TSUI Yung Kwok	2/2
Dr LO Wing Yan, William	2/2
Mr NGAI Wai Fung	2/2

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on page 54.

During the period under review ended 31 December 2010, the remuneration paid/payable to the Company's external auditors, Messrs Ernst & Young, is set out below:

Service Category	Fees Paid/ Payable (HK$)
Audit Services	1,930,000
Non-audit Services	
– IPO project	2,750,000
– Others	867,574
Total	HK$5,547,574

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS / INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as Chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the Chairman of the independent Board committee, are available to answer questions at shareholder meetings.

The 2011 Annual General Meeting ("AGM") will be held on 29 April 2011. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.sitc.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of SITC International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of SITC International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 144, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the shareholders of SITC International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

10 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
REVENUE	5	**891,510**	694,173
Cost of sales		**(719,694)**	(624,150)
Gross profit		**171,816**	70,023
Other income and gains	5	**3,054**	4,264
Administrative expenses		**(52,144)**	(37,040)
Other expenses and losses		**(6,166)**	(1,614)
Finance costs	7	**(1,678)**	(1,745)
Share of profits and losses of associates		**133**	74
PROFIT BEFORE TAX	6	**115,015**	33,962
Income tax expense	10	**(2,684)**	(1,482)
PROFIT FOR THE YEAR		**112,331**	32,480
OTHER COMPREHENSIVE INCOME			
Cash flow hedges:	27		
Effective portion of changes in fair value of hedging instruments arising during the year		**(4,511)**	1,812
Reclassification adjustments for losses included in profit or loss		**943**	1,590
		(3,568)	3,402
Exchange differences on translation of foreign operations		**1,303**	197
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(2,265)**	3,599
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**110,066**	36,079

Consolidated Statement of Comprehensive Income (continued)

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Profit attributable to:			
Owners of the parent	11	**111,983**	32,150
Non-controlling interests		**348**	330
		112,331	32,480
Total comprehensive income attributable to:			
Owners of the parent	11	**109,624**	35,641
Non-controlling interests		**442**	438
		110,066	36,079
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic (US cents per share)		**4.31**	1.24
Diluted (US cents per share)		**4.29**	1.24

Details of the final dividend proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 US$'000	2009 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**194,823**	166,611
Prepaid land lease payments	15	**2,045**	2,026
Investments in associates	18	**2,402**	2,268
Available-for-sale investment	19	**394**	384
Derivative financial instruments	27	**—**	97
Total non-current assets		**199,664**	171,386
CURRENT ASSETS			
Bunkers		**11,796**	7,562
Trade receivables	20	**55,910**	35,278
Prepayments, deposits and other receivables	21	**15,476**	6,970
Due from related companies	22	**2,133**	30,255
Derivative financial instruments	27	**—**	1,201
Financial assets at fair value through profit or loss	24	**—**	27,534
Pledged deposits	23	**75**	—
Cash and cash equivalents	23	**515,334**	66,251
Total current assets		**600,724**	175,051
CURRENT LIABILITIES			
Trade payables	25	**93,194**	71,742
Other payables and accruals	26	**27,160**	24,458
Dividend payable	12	**—**	40,000
Due to related companies	22	**1,096**	15,208
Derivative financial instruments	27	**2,693**	798
Interest-bearing bank borrowings	28	**12,772**	17,222
Tax payable		**1,221**	428
Total current liabilities		**138,136**	169,856
NET CURRENT ASSETS		**462,588**	5,195
TOTAL ASSETS LESS CURRENT LIABILITIES		**662,252**	176,581

Consolidated Statement of Financial Position (continued)

31 December 2010

	Notes	2010 US$'000	2009 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**662,252**	176,581
NON-CURRENT LIABILITIES			
Derivative financial instruments	27	**430**	3,395
Interest-bearing bank borrowings	28	**65,644**	73,265
Deferred tax liabilities	29	**205**	—
Total non-current liabilities		**66,279**	76,660
Net assets		**595,973**	99,921
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**33,522**	—
Reserves	32	**520,026**	98,026
Proposed final dividend	12	**40,088**	—
		593,636	98,026
Non-controlling interests		**2,337**	1,895
Total equity		**595,973**	99,921

YANG Shaopeng

Director

YANG Xianxiang

Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the parent												
	Issued capital US$'000 (note 30)	Share premium account US$'000	Merger reserve US$'000 (note 32(c))	PRC reserve funds US$'000 (note 32(b))	Capital reserve US$'000 (note 32(a))	Share-based compensation reserve US$'000 (note 32(d))	Share option reserve US$'000 (note 32(e))	Hedging reserve US$'000 (note 32(g))	Exchange fluctuation reserve US$'000 (note 32(f))	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2009	–	–	(2,999)	1,304	(463)	–	–	(2,394)	3,559	98,781	97,788	1,457	99,245
Profit for the year	–	–	–	–	–	–	–	–	–	32,150	32,150	330	32,480
Other comprehensive income for the year:													
Changes in fair value of hedging instruments, net of tax	–	–	–	–	–	–	–	3,402	–	–	3,402	–	3,402
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	89	–	89	108	197
Total comprehensive income for the year	–	–	–	–	–	–	–	3,402	89	32,150	35,641	438	36,079
2009 dividend (note 12)	–	–	–	–	–	–	–	–	–	(40,000)	(40,000)	–	(40,000)
Transfer to PRC reserve funds	–	–	–	115	–	–	–	–	–	(115)	–	–	–
Share-based compensation expense (note 6)	–	–	–	–	–	4,597	–	–	–	–	4,597	–	4,597
At 31 December 2009	–	–	(2,999)	1,419	(463)	4,597	–	1,008	3,648	90,816	98,026	1,895	99,921

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2010

	Attributable to owners of the parent												Non-controlling interests	Total equity
	Issued capital US$'000 (note 30)	Share premium account US$'000	Merger reserve US$'000 (note 32(c))	PRC reserve funds US$'000 (note 32(b))	Capital reserve US$'000 (note 32(a))	Share-based compensation reserve US$'000 (note 32(d))	Share option reserve US$'000 (note 32(e))	Hedging reserve US$'000 (note 32(g))	Exchange fluctuation reserve US$'000 (note 32(f))	Retained profits US$'000	Proposed final dividend US$'000	Total US$'000	US$'000	US$'000
At 1 January 2010	–	–	(2,999)	1,419	(463)	4,597	–	1,008	3,648	90,816	–	98,026	1,895	99,921
Profit for the year	–	–	–	–	–	–	–	–	–	111,983	–	111,983	348	112,331
Other comprehensive loss for the year:														
Changes in fair value of hedging instruments, net of tax	–	–	–	–	–	–	–	(3,568)	–	–	–	(3,568)	–	(3,568)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	1,209	–	–	1,209	94	1,303
Total comprehensive income for the year	–	–	–	–	–	–	–	(3,568)	1,209	111,983	–	109,624	442	110,066
Issue of shares in connection with the group reorganisation	1	–	(1)	–	–	–	–	–	–	–	–	–	–	–
Capitalisation issue of shares	25,140	(25,140)	–	–	–	–	–	–	–	–	–	–	–	–
Issue of shares in connection with the listing of the Company's shares	8,381	392,212	–	–	–	–	–	–	–	–	–	400,593	–	400,593
Share issue expenses	–	(15,169)	–	–	–	–	–	–	–	–		(15,169)	–	(15,169)
Deemed distributions to a company controlled by the controlling shareholder of the Company's ultimate holding company	–	–	(276)	–	–	–	–	–	–	–	–	(276)	–	(276)
Transfer to PRC reserve funds	–	–	–	408	–	–	–	–	–	(408)		–	–	–
Proposed final 2010 dividend	–	–	–	–	–	–	–	–	–	(40,088)	40,088	–	–	–
Share option expense (note 31)	–	–	–	–	–	–	838	–	–	–	–	838	–	838
At 31 December 2010	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

* These reserve accounts comprise the consolidated reserves of US$520,026,000 (2009: US$98,026,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**115,015**	33,962
Adjustments for:			
Finance costs	7	**1,678**	1,745
Share of profits and losses of associates		**(133)**	(74)
Interest income	5	**(1,484)**	(745)
Loss on disposal/write-off of items of property, plant and equipment, net	6	**1,053**	24
Fair value losses/(gains), net			
Derivative instruments			
– transactions not qualifying as hedges	5	**(914)**	(2,017)
Cash flow hedges (transfer from equity)	6	**943**	1,590
Loss on early termination of derivative instruments	6	**3,300**	—
Depreciation	14	**10,553**	9,015
Recognition of prepaid land lease payments	15	**43**	49
Impairment of trade receivables	6	**870**	—
Share-based compensation expense	6	**—**	4,597
Share option expense	31	**838**	—
		131,762	48,146
Increase in bunkers		**(4,234)**	(2,143)
Increase in trade receivables		**(21,078)**	(5,367)
(Increase)/decrease in prepayments, deposits and other receivables		**(8,138)**	3,200
Decrease/(increase) in amounts due from related companies		**28,170**	(10,421)
Decrease in derivative financial assets		**1,574**	1,275
Decrease/(increase) in financial assets at fair value through profit or loss		**27,534**	(12,171)
Increase in trade payables		**21,138**	16,551
(Decrease)/increase in amounts due to related companies		**(14,547)**	2,024
Decrease in derivative financial liabilities		**(8,243)**	(5,352)
Increase in other payables and accruals		**1,834**	7,536
Effect of foreign exchange rate changes, net		**2,458**	5,129
Cash generated from operations		**158,230**	48,407
Interest received		**1,484**	745
Interest paid		**(1,678)**	(1,738)
Interest element of finance lease rental payments		**—**	(7)
Profits tax paid		**(1,710)**	(1,630)
Net cash flows from operating activities		**156,326**	45,777

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Net cash flows from operating activities		**156,326**	45,777
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(38,995)**	(14,219)
Proceeds from disposal of items of property, plant and equipment		**670**	108
Investment in an associate		**—**	(10)
Purchase of an available-for-sale investment		**—**	(59)
Purchase of shareholding in a jointly-controlled entity		**110**	—
Prepayment of land lease payments		**—**	(573)
(Increase)/decrease in pledged time deposits		**(75)**	6,779
Dividend received from an associate		**70**	—
Net cash flows used in investing activities		**(38,220)**	(7,974)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares in connection with the listing		**400,593**	—
Share issue expenses		**(15,169)**	—
New bank borrowings		**410**	5,702
Repayment of bank borrowings		**(18,623)**	(27,149)
Deemed distributions to a company controlled by the controlling shareholder of the Company's ultimate holding company		**(276)**	—
Dividend paid to the then immediate holding company	12	**(40,000)**	—
Capital element of finance lease rental payments		**—**	(1,363)
Net cash flows from/(used in) financing activities		**326,935**	(22,810)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**445,041**	14,993
Effect of foreign exchange rate changes, net		**4,042**	(106)
Cash and cash equivalents at beginning of year		**66,251**	51,364
CASH AND CASH EQUIVALENTS AT END OF YEAR		**515,334**	66,251
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**508,632**	57,932
Non-pledged time deposits with original maturity of less than three months when acquired	23	**6,702**	8,319
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**515,334**	66,251

Statement of Financial Position

31 December 2010

	Notes	2010 US$'000	2009 US$'000
NON-CURRENT ASSET			
Investment in a subsidiary	16	**59,413**	—
CURRENT ASSETS			
Due from a subsidiary	16	**382,817**	—
Dividend receivable		**45,000**	—
Cash and cash equivalents	23	**21**	—
Total current assets		**427,838**	—
Net assets		**487,251**	—
EQUITY			
Issued capital	30	**33,522**	—
Reserves	32	**413,641**	—
Proposed final dividend	12	**40,088**	—
Total equity		**487,251**	—

YANG Shaopeng
Director

YANG Xianxiang
Director

1. CORPORATE INFORMATION AND GROUP REORGANISATION

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 address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2203, 22/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of marine transportation services, freight forwarding services for marine transportation depot and warehouse services and related businesses (collectively referred to as the "Relevant Businesses").

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.

Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain subsidiaries of SITC Group Company Limited, which is incorporated in the BVI and was indirectly majority owned and controlled by the controlling shareholder of the Company's ultimate holding company (the "Controlling Shareholder", who is also a director of the Company). In order to rationalise the corporate structure of the Group in preparation for the listing of the Company's shares (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent a group reorganisation (the "Reorganisation") which was completed on 16 April 2010, further details of which are set out in the Company's prospectus dated 20 September 2010.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments and financial assets, which have been measured at fair value. These financial statements are presented in United States Dollars ("US$" or "US Dollars") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Merger accounting for business combination under common control

Pursuant to the Reorganisation, the Company became the holding company of the companies then comprising the Group. Since the Company and the Relevant Businesses were ultimately controlled by the Controlling Shareholder both before and after the completion of the Reorganisation and the Company was considered as a continuation of SITC Group Company Limited, the Reorganisation was accounted for using the principles of merger accounting.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2010 and 2009 include the results, changes in equity and cash flows of all companies then comprising the Group, as if the corporate structure of the Group immediately after the completion of the Reorganisation had been in existence throughout the years ended 31 December 2010 and 2009, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2009 has been prepared to present the state of affairs of the Group as if the corporate structure of the Group immediately after the completion of the Reorganisation 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 2009.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while the changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosure will be amended accordingly.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements:* Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of a subsidiary are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of the associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition method of accounting is used to account for the acquisition of subsidiaries not under common control.

Under the merger method of accounting, the net assets of the combining entities of businesses are combined using their existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Under the acquisition method of accounting, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination not under common control, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income . If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than bunkers and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. The expenditure for major inspection and drydocking costs are capitalised in the carrying amounts of the assets as a replacement in situations where the recognition criteria are satisfied (i.e., when it is probable that future economic benefits associated with the expenditure will flow to the Group and the amount of the expenditure can be measured reliably). Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 7%
Container vessels	4% to 6%
Containers	9% to 20%
Computers, furniture and equipment	10% to $33^1/_3$%
Motor vehicles	12% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or vessel under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than deferred tax assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from related companies, available-for-sale investment, financial assets at fair value through profit or loss and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognised in other income and gains in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in other expenses and losses in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income and gains in profit or loss, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in other expenses and losses in profit or loss and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses and losses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies, derivative financial instruments and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Bunkers

Bunkers represent fuels and are stated at the lower of the cost and net realisable value. Cost is determined on the weighted average basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of container shipping services, it is recognised on a percentage-of-completion basis, which is determined using the time proportion method for each individual voyage;

(b) from the rendering of shipping agency services, freight forwarding services for marine transportation and logistics management services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by local municipal governments. These subsidiaries are required to contribute 5% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in US dollars, which is the Group's presentation currency. The functional currency of the Company is the Hong Kong dollar while the US dollar is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

All differences are taken to profit or loss with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries, jointly-controlled entities and associates are currencies other than the US dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profit or loss are translated into US dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of subsidiaries and jointly-controlled entities whose functional currencies are not US dollars are translated into US dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries and jointly-controlled entities which arise throughout the period are translated into US dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Recognition of a deferred tax liability for withholding taxes

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign invested enterprise established in Mainland China to its foreign investors, from 2008 or thereafter, its earnings shall be subject to withholding corporate income tax at a rate of 10%. The Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries out of profits earned after 1 January 2008 based on the senior management's judgement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives and residual values of property, plant and equipment

Management determines the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual values or useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. The carrying amount of trade receivables at 31 December 2010 was US$55,910,000 (2009: US$35,278,000).

Fair value of derivative instruments

The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to terminate these derivative instruments at the end of the reporting period, taking into account current market conditions. The Group did not have any derivative financial assets at 31 December 2010 (2009: US$1,298,000). The carrying amount of derivative financial liabilities at 31 December 2010 was US$3,123,000 (2009: US$4,193,000).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets as at 31 December 2010 (2009: Nil).

Recognition of equity-settled share option expenses

As further disclosed in note 31, the Company has granted share options to its employees. The directors have used the Binomial Model to determine the total fair value of the options granted, which is expensed over the vesting period. Significant estimates, such as the probability of the success of the initial public offering ("IPO"), risk-free rate, dividend yield, and expected volatility were required to be made by the directors as the parameters for applying the Binomial Model. The Company has engaged Jones Lang LaSalle Sallmanns Limited ("Jones Lang LaSalle Sallmanns"), an independent and qualified valuer, to perform an appraisal of the fair value of the Company's shares at the grant date. The grant of equity instruments might be conditional upon satisfying specified condition. Significant management judgement was required to take into account the conditions and adjust the number of equity instruments included in the measurement of equity-settled share option expenses. Determining the number of equity instruments that eventually vest required management to make assumptions regarding the profit forecast and likelihood of a successful IPO, and hence they were subject to uncertainty.

4. 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 provides marine transportation services and related businesses; and

(b) the land-based logistics segment provides 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 and finance costs are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, financial assets at fair value through profit or loss, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, derivative financial instruments, tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

The Group's revenue from external customers from each service is set out in note 5 to the financial statements.

During the year, there was one customer individually accounted for 10% or more of the Group's revenue and its revenue amounted to US$95,417,000. In 2009, there were two customers individually accounted for 10% or more of the Group's revenue and their respective revenue amounted to US$76,246,000 and US$75,247,000. The sales of the above customers were included in the sea freight logistics segment.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Segment revenue:			
Sales to external customers	433,796	457,714	891,510
Intersegment sales	261,012	15,160	276,172
	694,808	472,874	1,167,682
Reconciliation:			
Elimination of intersegment sales			(276,172)
Revenue			891,510
Segment results	89,391	25,818	115,209
Reconciliation:			
Interest income			1,484
Finance costs			(1,678)
Profit before tax			115,015
Segment assets	204,753	208,438	413,191
Reconciliation:			
Elimination of intersegment receivables			(143,788)
Corporate and other unallocated assets			530,985
Total assets			800,388
Segment liabilities	67,161	190,076	257,237
Reconciliation:			
Elimination of intersegment payables			(143,788)
Corporate and other unallocated liabilities			90,966
Total liabilities			204,415
Other segment information:			
Share of profits and losses of associates	—	133	133
Depreciation	8,883	1,670	10,553
Recognition of prepaid land lease payments	—	43	43
Loss on disposal/write-off of items of property, plant and equipment, net	13	1,040	1,053
Impairment of trade receivables	680	190	870
Investments in associates	—	2,402	2,402
Capital expenditure *	36,783	2,905	39,688

* Capital expenditure consists of additions to property, plant and equipment, including assets from the acquisition of a jointly-controlled entity.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Segment revenue:			
Sales to external customers	430,147	264,026	694,173
Intersegment sales	103,939	7,583	111,522
	534,086	271,609	805,695
Reconciliation:			
Elimination of intersegment sales			(111,522)
Revenue			694,173
Segment results	19,143	15,819	34,962
Reconciliation:			
Interest income			745
Finance costs			(1,745)
Profit before tax			33,962
Segment assets	180,111	61,607	241,718
Reconciliation:			
Elimination of intersegment receivables			(3,271)
Corporate and other unallocated assets			107,990
Total assets			346,437
Segment liabilities	69,267	31,789	101,056
Reconciliation:			
Elimination of intersegment payables			(3,271)
Corporate and other unallocated liabilities			148,731
Total liabilities			246,516
Other segment information:			
Share of profits and losses of associates	—	74	74
Depreciation	7,469	1,546	9,015
Recognition of prepaid land lease payments	—	49	49
Loss on disposal/write-off of items of property, plant and equipment, net	3	21	24
Investments in associates	—	2,268	2,268
Capital expenditure*	11,030	14,189	25,219

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

The revenue information is based on the location of customers.

	2010 **US$'000**	2009 US$'000
Mainland China	**479,361**	294,719
Japan	**307,951**	264,472
Korea	**44,825**	68,459
Others	**59,373**	66,523
	891,510	694,173

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered.

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

	2010 US$'000	2009 US$'000
Revenue		
Container shipping services	**433,796**	430,147
Shipping agency services, freight forwarding services for transportation and logistics management services	**457,714**	264,026
	891,510	694,173
Other income		
Bank interest income	**1,484**	745
Other investment income	**37**	73
Government subsidies*	**619**	155
Gross rental income	**—**	9
	2,140	982
Gains		
Fair value gains on derivative instruments - transactions not qualifying as hedges	**914**	2,017
Foreign exchange differences, net	**—**	1,265
	914	3,282
	3,054	4,264

* The amount received represented subsidies received from the relevant authorities of the Jiangsu Lianyungang Municipality and Shandong Qingdao Municipality for the Group's operation of container lines and logistics business.

6. PROFIT BEFORE TAX

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

	Notes	2010 US$'000	2009 US$'000
Cost of bunkers consumed		**129,452**	89,903
Depreciation	14	**10,553**	9,015
Recognition of prepaid land lease payments	15	**43**	49
Auditors' remuneration		**247**	120
Minimum lease payments under operating leases in respect of:			
Land and buildings		**3,608**	2,862
Vessels		**49,354**	64,948
Containers		**35,983**	31,121
		88,945	98,931
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**28,755**	24,453
Share-based compensation expense**		**—**	4,597
Share option expense	31	**838**	—
Pension scheme contributions		**2,989**	2,267
		32,582	31,317
Foreign exchange differences, net		**7,674**	(1,265)
Loss on disposal/write-off of items of property, plant and equipment, net*		**1,053**	24
Impairment of trade receivables*	20	**870**	—
Loss on early termination of derivative instruments*		**3,300**	—
Fair value losses on cash flow hedges (transfer from equity)*	27	**943**	1,590

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

** On 6 October 2009, Better Master Investments Limited ("Better Master"), a company wholly owned by the Controlling Shareholder, and All Precise Limited ("All Precise"), a company owned by 52 long-term employees of SITC Group Company Limited (the "Employees"), entered into a sale and purchase agreement pursuant to which Better Master agreed to transfer 4,911 shares of Resourceful Link Limited ("Resourceful Link"), representing approximately 6.63% interest in Resourceful Link (the "Transferred Shares"), to All Precise for a cash consideration of US$3,259,000 (the "Share Incentive Scheme").

6. PROFIT BEFORE TAX (continued)

Resourceful Link held 75.45% interest in Grand SITC International Holdings Company Limited, which was the then sole shareholding company and immediate holding company of SITC Group Company Limited and was indirectly majority owned and controlled by the Controlling Shareholder, as at 6 October 2009 after the Transferred Shares were transferred.

Based on the valuation performed by Jones Lang LaSalle Sallmanns, the fair value of the Transferred Shares, which was determined using the discounted cash flow method, was approximately US$7,856,000. The difference between the fair value and consideration of the Transferred Shares of approximately US$4,597,000 was charged to profit or loss to reflect the value of the services which the Employees rendered to the Group.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	US$'000	US$'000
Interest on bank loans wholly repayable within five years	**624**	735
Interest on bank loans wholly repayable beyond five years	**1,054**	1,003
Interest on finance leases	**—**	7
	1,678	1,745

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	US$'000	US$'000
Fees	**81**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**3,917**	4,639
Share option expense	**155**	—
Share-based compensation expense	**—**	3,001
Pension scheme contributions	**27**	16
	4,099	7,656
	4,180	7,656

8. DIRECTORS' REMUNERATION (continued)

During the year, certain directors were granted share options, in respect of their services to the Group, under a share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

In 2009, certain directors participated in the Share Incentive Scheme, further details of which are set out in note 6 to the financial statements. The difference between the fair value and consideration of the Transferred Shares was recognised in profit or loss and the relevant portion is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010	2009
	US$'000	US$'000
Mr. Tsui Yung Kwok	**8**	—
Mr. Yeung Kwok On	**8**	—
Mr. Lo Wing Yan, William, JP	**8**	—
Mr. Ngai Wai Fung	**9**	—
	33	—

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director:

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Share option expense US$'000	Share-based compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2010						
Executive directors:						
Mr. Yang Shaopeng	**8**	**1,823**	**76**	**—**	**—**	**1,907**
Mr. Yang Xianxiang	**8**	**1,582**	**55**	**—**	**8**	**1,653**
Mr. Liu Kecheng	**8**	**132**	**8**	**—**	**3**	**151**
Ms. Li Xuexia	**8**	**190**	**8**	**—**	**8**	**214**
Mr. Xue Peng	**8**	**190**	**8**	**—**	**8**	**214**
	40	**3,917**	**155**	**—**	**27**	**4,139**
Non-executive director:						
Ms. Liu Rongli	**8**	**—**	**—**	**—**	**—**	**8**
	48	**3,917**	**155**	**—**	**27**	**4,147**
2009						
Executive directors:						
Mr. Yang Shaopeng	—	1,124	—	—	—	1,124
Mr. Yang Xianxiang	—	2,902	—	2,758	5	5,665
Mr. Liu Kecheng	—	141	—	75	—	216
Ms. Li Xuexia	—	236	—	84	6	326
Mr. Xue Peng	—	236	—	84	5	325
	—	4,639	—	3,001	16	7,656
Non-executive director:						
Ms. Liu Rongli	—	—	—	—	—	—
	—	4,639	—	3,001	16	7,656

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2009: one) non-director, highest paid employee for the year are as follows:

	Group	
	2010	2009
	US$'000	US$'000
Salaries, allowances and benefits in kind	**199**	296
Share option expense	**8**	—
Share-based compensation expense	**—**	84
Retirement scheme contributions	**7**	5
	214	385

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
HK$1,500,001 to HK$2,000,000	**1**	1

In 2009, one non-director, highest paid employee participated in the Share Incentive Scheme, further details of which are set out in note 6 to the financial statements. The difference between the fair value and consideration of the Transferred Shares was recognised in profit or loss and the relevant portion is included in the above non-director, highest paid employee's remuneration disclosures.

During the year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX

	2010 US$'000	2009 US$'000
Group:		
Current:		
Mainland China	**1,772**	1,199
Hong Kong	**379**	118
Elsewhere	**328**	165
Deferred (note 29)	**205**	—
Total tax charge for the year	**2,684**	1,482

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group - 2010

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit before tax	3,842		108,592		2,581		115,015	
Tax at the statutory tax rate	961	25.0	17,918	16.5	791	30.6	19,670	17.1
Lower tax rates for specific provinces or enacted by local authority	—	—	—	—	(15)	(0.6)	(15)	—
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	205	5.3	—	—	—	—	205	0.2
Income not subject to tax	(835)	(21.7)	(18,518)	(17.1)	(1,854)	(71.7)	(21,207)	(18.4)
Expenses not deductible for tax	1,442	37.6	979	0.9	867	(33.6)	3,288	2.9
Tax losses not recognised	204	5.3	—	—	539	20.8	743	0.6
Tax charge at the Group's effective rate	1,977	51.5	379	0.3	328	12.7	2,684	2.3

10. INCOME TAX (continued)

Group - 2009

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	(6,164)		26,861		13,265		33,962	
Tax at the statutory tax rate	(1,545)	25.0	4,432	16.5	4,031	30.4	6,918	20.4
Lower tax rates for specific provinces or enacted by local authority	—	—	—	—	(44)	(0.3)	(44)	(0.1)
Income not subject to tax	(383)	6.2	(4,390)	(16.3)	(3,888)	(29.3)	(8,661)	(25.5)
Expenses not deductible for tax	2,938	(47.7)	76	0.3	36	0.3	3,050	9.0
Tax losses not recognised	189	(3.1)	—	—	30	0.2	219	0.6
Tax charge at the Group's effective rate	1,199	(19.5)	118	0.4	165	1.2	1,482	4.4

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of US$41,576,000 (2009: Nil) which has been dealt with in the financial statements of the Company (note 32).

12. DIVIDEND

	2010 HK$'000	2010 US$'000 equivalent	2009 HK$'000	2009 US$'0000 equivalent
Proposed final – HK12 cents (equivalent to US1.54 cents) per ordinary share (2009: Nil)	**312,000**	**40,088**	—	—

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

On 15 December 2009, dividend amounting to US$40,000,000 was declared and approved by the relevant directors of SITC Group Company Limited to Grand SITC Holdings Company Limited prior to the Reorganisation. The dividend was fully paid during the year.

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

The calculation of basic earnings per share amounts for the year is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,600,000,000 (2009: 2,600,000,000) in issue during the year, on the assumption that the Reorganisation, the capitalisation issue of shares and the issue of shares in connection with the Listing had been completed on 1 January 2009.

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

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

	2010 US$'000	2009 US$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**111,983**	32,150

	Number of shares 2010	Number of shares 2009
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**2,600,000,000**	2,600,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**10,934,643**	—
	2,610,934,643	2,600,000,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings US$'000	Container vessels US$'000	Containers US$'000	Computers, furniture and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
31 December 2010							
At 31 December 2009 and 1 January 2010:							
Cost	**15,973**	**167,174**	**16,941**	**9,362**	**3,033**	**1,623**	**214,106**
Accumulated depreciation	**(1,857)**	**(30,347)**	**(8,734)**	**(5,207)**	**(1,350)**	**—**	**(47,495)**
Net carrying value	**14,116**	**136,827**	**8,207**	**4,155**	**1,683**	**1,623**	**166,611**
At 1 January 2010, net of accumulated depreciation	**14,116**	**136,827**	**8,207**	**4,155**	**1,683**	**1,623**	**166,611**
Additions	**1,655**	**—**	**225**	**994**	**2,040**	**34,081**	**38,995**
Acquisition of a jointly-controlled entity	**—**	**—**	**—**	**666**	**27**	**—**	**693**
Transfers	**—**	**—**	**—**	**262**	**—**	**(262)**	**—**
Depreciation	**(549)**	**(6,569)**	**(1,529)**	**(778)**	**(1,128)**	**—**	**(10,553)**
Disposals/write-off	**(359)**	**—**	**(24)**	**(188)**	**(47)**	**(1,105)**	**(1,723)**
Exchange realignment	**472**	**—**	**—**	**197**	**76**	**55**	**800**
At 31 December 2010, net of accumulated depreciation	**15,335**	**130,258**	**6,879**	**5,308**	**2,651**	**34,392**	**194,823**
At 31 December 2010:							
Cost	**17,801**	**167,175**	**17,129**	**11,461**	**5,200**	**34,392**	**253,158**
Accumulated depreciation	**(2,466)**	**(36,917)**	**(10,250)**	**(6,153)**	**(2,549)**	**—**	**(58,335)**
Net carrying value	**15,335**	**130,258**	**6,879**	**5,308**	**2,651**	**34,392**	**194,823**
31 December 2009							
At 1 January 2009:							
Cost	5,605	156,147	16,954	7,635	1,900	1,081	189,322
Accumulated depreciation	(1,545)	(24,494)	(7,214)	(4,400)	(1,147)	—	(38,800)
Net carrying value	4,060	131,653	9,740	3,235	753	1,081	150,522
At 1 January 2009, net of accumulated depreciation	4,060	131,653	9,740	3,235	753	1,081	150,522
Additions	10,364	11,027	—	2,033	1,254	541	25,219
Depreciation	(312)	(5,853)	(1,526)	(1,010)	(314)	—	(9,015)
Disposals/write-off	—	—	(7)	(109)	(16)	—	(132)
Exchange realignment	4	—	—	6	6	1	17
At 31 December 2009, net of accumulated depreciation	14,116	136,827	8,207	4,155	1,683	1,623	166,611
At 31 December 2009 and 1 January 2010:							
Cost	15,973	167,174	16,941	9,362	3,033	1,623	214,106
Accumulated depreciation	(1,857)	(30,347)	(8,734)	(5,207)	(1,350)	—	(47,495)
Net carrying value	14,116	136,827	8,207	4,155	1,683	1,623	166,611

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2010, certain of the Group's container vessels with a net carrying amount of approximately US$119,947,000 (2009: US$125,833,000) were pledged to secure bank loans granted to the Group (note 28).

At 31 December 2010, the Group's buildings situated in Shanghai and Qingdao, the People's Republic of China (the "PRC"), and Japan with an aggregate net book value of approximately US$15,335,000 (2009: US$14,116,000) did not have building ownership certificates registered under the names of the respective subsidiaries and jointly-controlled entities of the Group. In the opinion of the directors, the Group is entitled to lawfully and validly occupy and use the buildings for its daily operations, notwithstanding the fact that the related building ownership certificates have not yet been obtained.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	US$'000	US$'000
Carrying amount at 1 January	**2,086**	1,562
Additions	**—**	573
Recognised during the year	**(43)**	(49)
Exchange realignment	**64**	—
Carrying amount at 31 December	**2,107**	2,086
Current portion included in prepayments, deposits and other receivables	**(62)**	(60)
Non-current portion	**2,045**	2,026

The leasehold land is situated in Mainland China and is held under a medium term lease.

16. INVESTMENT IN A SUBSIDIARY

	Company	
	2010	2009
	US$'000	US$'000
Unlisted shares, at cost	**59,413**	—

The amount due from a subsidiary is unsecured, interest-free, and is repayable on demand.

16. INVESTMENT IN A SUBSIDIARY (continued)

Particulars of the principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
SITC Group Company Limited	BVI 18 April 2006	US$10,000	100	—	Investment holding
SITC Shipping Group Company Limited	BVI 12 May 2006	US$1	—	100	Investment holding
SITC Development Group Company Limited	BVI 12 May 2006	US$1	—	100	Investment holding
SITC Logistics Company Limited	BVI 12 May 2006	US$4	—	100	Investment holding
SITC Brokers Company Limited	Hong Kong 7 June 2006	HK$1	—	100	Investment holding
SITC Logistics (HK) Limited	Hong Kong 2 June 2006	HK$1	—	100	Investment holding
New SITC Development Company Limited	BVI 14 February 2006	US$10,000	—	100	Investment holding
SITC Development Company Limited	BVI 27 May 2004	US$1	—	100	Investment holding
SITC Logistics Co., Ltd. * #	PRC 8 March 2001	RMB50,000,000	—	100	Investment holding and provision of freight forwarding services for marine transportation
SITC Customs Broker Co., Ltd. ** #	PRC 8 October 1996	RMB5,000,000	—	100	Provision of declaration services
New SITC Logistics (Japan) Co., Ltd. #	Japan 6 December 1995	JPY10,000,000	—	100	Provision of freight forwarding services for marine transportation
SITC Transportation (Qingdao) Co., Ltd. * #	PRC 9 September 2005	RMB10,000,000	—	100	Provision of freight forwarding services for marine transportation

16. INVESTMENT IN A SUBSIDIARY (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
SITC Container Lines Co., Ltd.	Hong Kong 25 January 1994	HK$1,000,000	—	100	Provision of container marine transportation
SITC Shipping Agency (HK) Company Limited	Hong Kong 13 September 2004	HK$5,000,000	—	70	Provision of shipping agency and freight forwarding services for marine transportation
Ken Link Shipping Enterprises Inc.	Panama 25 June 1991	US$1,000,000	—	100	Vessel chartering
Sheng Lian Shipping Enterprises Inc.	Panama 19 May1994	US$10,000	—	100	Vessel chartering
Xin Lian Shipping Enterprises Inc.	Panama 13 October1992	US$10,000	—	100	Vessel chartering
Hai Lian Shipping Enterprises Inc.	Panama 10 August 2003	US$10,000	—	100	Vessel chartering
Jia Lian Shipping Enterprises Inc.	Panama 10 September 2003	US$10,000	—	100	Vessel chartering
SITC Xiamen Shipping Enterprises Inc.	Panama 6 December 2004	US$100	—	100	Vessel chartering
SITC Hong Kong Shipping Enterprises Inc.	Panama 6 December 2004	US$100	—	100	Vessel chartering
SITC Busan Shipping Enterprises Inc.	Panama 6 December 2004	US$100	—	100	Vessel chartering
SITC Yantai Shipping Enterprises Inc.	Panama 6 December 2004	US$100	—	100	Vessel chartering
SITC Kaoshiung Shipping Enterprises Inc.	Panama 12 February 2007	US$10,000	—	100	Vessel chartering
SITC Tianjin Shipping Enterprises Inc.	Panama 17 May 2004	US$10,000	—	100	Vessel chartering

16. INVESTMENT IN A SUBSIDIARY (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
SITC Nagoya Shipping Enterprises Inc.	Panama 17 May 2004	US$10,000	—	100	Vessel chartering
SITC Hakata Shipping Company Ltd.	Hong Kong 30 November 2009	US$100	—	100	Vessel chartering
SITC Keelung Shipping Company Ltd.	Hong Kong 30 November 2009	US$100	—	100	Vessel chartering
SITC Pyeongtaek Shipping Company Ltd.	Hong Kong 30 November 2009	US$100	—	100	Vessel chartering
SITC Logi Korea Co., Ltd. #	Korea 18 June 2010	KRW300,000,000	—	100	Provision of freight forwarding services for marine transportation
SITC Brokers (Shandong) Co., Ltd. * #	PRC 25 April 2001	RMB1,500,000	—	100	Provision of broking services of vessels
SITC Container Lines (Japan) Co., Ltd. #	Japan 9 September 1999	JPY10,000,000	—	100	Provision of container marine transportation
SITC Container Lines (Shanghai) Co., Ltd. * #	PRC 11 August 2008	RMB20,488,300	—	100	Provision of container marine transportation
SITC Container Lines (Korea) Co., Ltd. #	Korea 7 December 2002	KRW600,000,000	—	51	Provision of container marinen transportation
SITC Shipping Agency (Qingdao) Co., Ltd. ** # ∫	PRC 19 October 2004	RMB2,000,000	—	49	Provision of shipping agency and freight forwarding services for marine transportation
SITC Shipping Agency (Tianjin) Co., Ltd. ** # Ω	PRC 27 July 2005	RMB2,000,000	—	49	Provision of shipping agency and freight forwarding services for marine transportation
SITC Shipping Agency (Shanghai) Co., Ltd. ** # @	PRC 17 March 2006	RMB2,000,000	—	49	Provision of shipping agency and freight forwarding services for marine transportation

16. INVESTMENT IN A SUBSIDIARY (continued)

Company name	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SITC Shipping Asia PTE Limited	Singapore 11 June 2008	US$100,000	—	100	Provision of shipping agency and freight forwarding services for marine transportation

* Registered as wholly-foreign-owned enterprises under PRC law.

** Registered as limited liability companies under PRC law.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they have not registered any official English names.

∫ The joint venture contract and articles of association of SITC Shipping Agency (Qingdao) Co., Ltd. stipulate that the board of directors of SITC Shipping Agency (Qingdao) Co., Ltd. should consist of three directors, two of which should be appointed by the Group and one director should be appointed by the non-controlling shareholder. The Group is able to control the board of SITC Shipping Agency (Qingdao) Co., Ltd. as well as its operating and financial policies and hence has accounted for it as a subsidiary.

Ω The articles of association of SITC Shipping Agency (Tianjin) Co., Ltd. stipulate that it should have one executive director rather than a board of directors. Such executive director has been appointed by the Group since its establishment and the non-controlling shareholder has agreed to continue such arrangement during the term of the joint venture. Accordingly, the Group is able to control SITC Shipping Agency (Tianjin) Co., Ltd. and has accounted for it as a subsidiary.

@ By virtue of the entrustment arrangement entered into between SITC Container Lines Co. Ltd., a subsidiary indirectly held by the Company, and the non-controlling shareholders of the SITC Shipping Agency (Shanghai) Co., Ltd., the shareholder of SITC Shipping Agency (Shanghai) Co., Ltd. has the power to govern its financial and operating policies. Therefore, it is accounted for as a subsidiary of the Group.

The above table lists the subsidiaries of the Company which , in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held/capital	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power*	Percentage of Profit sharing	Principal activities
SITC Tsingtao Beer Warehouse Co., Ltd.	Paid-up capital	PRC	45%	40%	45%	Warehouse operation
Smart Logistics Co., Ltd.	Paid-up capital	PRC	51%	50%	51%	Provision of storage and terminal services
Singamas Logistics (Qingdao) Co., Ltd. ("Singamas")	Paid-up capital	PRC	40%	40%	40%	Provision of storage and terminal services
Shandong Hanjin Logistics Co., Ltd.	Paid-up capital	PRC	30%	40%	30%	Provision of storage and terminal services
Bright Logistics (Shanghai) Co., Ltd. ("Bright Logistics") #	Paid-up capital	PRC	50%	50%	50%	Warehouse operation
SITC Container Lines Vietnam Co., Ltd. ("SITC Vietnam") @	Paid-up capital	Vietnam	49%	50%	49%	Provision of shipping agency services
SITC Container Lines Thailand Co., Ltd. ("SITC Thailand") @	Paid-up capital	Thailand	49%	50%	49%	Provision of shipping agency services

* The voting power is determined with reference to the numbers of directors representing the Group in the respective boards of directors of the above jointly-controlled entities.

\# Bright Logistics was acquired on 1 June 2010 (note 36(d)).

@ SITC Vietnam and SITC Thailand were incorporated in 2009.

All of the above investments in jointly-controlled entities are indirectly held by the Company.

17. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following tables illustrate the summarised financial statements of the Group's jointly-controlled entities:

	2010 US$'000	2009 US$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**8,159**	8,090
Current assets	**20,828**	14,174
Current liabilities	**(14,652)**	(8,955)
Net assets	**14,335**	13,309
Share of the jointly-controlled entities' results:		
Revenue	**36,642**	16,728
Other income	**679**	78
	37,321	16,806
Total expenses	**(31,472)**	(12,473)
Income tax	**(1,303)**	(962)
Profit after tax	**4,546**	3,371

18. INVESTMENTS IN ASSOCIATES

	Group	
	2010 US$'000	2009 US$'000
Share of net assets	**2,402**	2,268

18. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Particulars of issued shares held/capital	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power*	Percentage of Profit sharing	Principal activities
SITC Container Lines Philippines, Inc. ("SITC Philippines") #	Ordinary shares of Philippine Peso ("PHP") 100 each	Philippines	40%	40%	40%	Provision of shipping agency and freight forwarding services
Shandong i-Logistics Company Limited ("i-Logistics") #	Paid-up capital	PRC	25%	25%	25%	Provision of storage and terminal services

* The voting power is determined with reference to the numbers of directors representing the Group in the respective boards of directors of the above associates.

SITC Philippines and i-Logistics were incorporated and acquired in 2009.

All of the above investment in associates are indirectly held by the Company.

The following table illustrates the summarised financial statements of the Group's associates extracted from their management accounts:

	2010 US$'000	2009 US$'000
Assets	**12,217**	10,705
Liabilities	**2,735**	1,668
Revenues	**17,575**	13,958
Profit	**442**	276

19. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2010	2009
	US$'000	US$'000
Club debenture, at fair value	**394**	384

20. TRADE RECEIVABLES

	Group	
	2010	2009
	US$'000	US$'000
Trade receivables	**56,243**	35,278
Impairment	**(333)**	—
	55,910	35,278

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 the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2010	2009
	US$'000	US$'000
Within 1 month	**41,705**	28,780
1 to 2 months	**12,691**	5,056
2 to 3 months	**971**	863
Over 3 months	**543**	579
	55,910	35,278

20. TRADE RECEIVABLES (continued)

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

	Group	
	2010	2009
	US$'000	US$'000
At 1 January	**—**	—
Impairment losses recognised (note 6)	**870**	—
Amount written off as uncollectible	**(537)**	—
At 31 December	**333**	—

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US$870,000 (2009: Nil) with a carrying amount before provision of US$1,206,000 (2009: Nil). The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2010	2009
	US$'000	US$'000
Neither past due nor impaired	**55,367**	34,699
Less than one month past due	**543**	579
	55,910	35,278

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

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

Included in the Group's trade receivables is an amount of US$2,999,000 (2009: US$724,000) due from Shanghai Jia Xiang Logistics Co., Ltd., a company which the spouse of Mr. Yang Xianxiang, an executive director of the Company, has 25% interests in. The amount is repayable on similar credit terms to those offered to the major customers of the Group.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Prepayments	**11,461**	3,900	**—**	—
Deposits and other receivables	**4,015**	3,070	**—**	
	15,476	6,970	**—**	—

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

22. DUE FROM/TO RELATED COMPANIES

An analysis of the balances with related companies is as follows:

	2010	2009
	US$'000	US$'000
Due from related companies		
Companies controlled by the Controlling Shareholder	**2,133**	30,255
Due to related companies		
Companies controlled by the Controlling Shareholder	**1,096**	15,208

The maximum outstanding amount due from the companies controlled by the Controlling Shareholder during the year was US$62,230,000 (2009: US$44,621,000). The balances with related parties are unsecured, interest-free and repayable on demand.

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

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Cash and bank balances	**508,632**	57,932	**21**	—
Time deposits	**6,777**	8,319	**—**	—
	515,409	66,251	**21**	—
Less: Pledged time deposits	**(75)**	—	**—**	—
Cash and cash equivalents	**515,334**	66,251	**21**	—

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$423,518,000 (2009: US$23,719,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	US$'000	US$'000
Unlisted investments, at fair value:		
PRC	**—**	27,534

The above unlisted investments were designated by the Group as financial assets at fair value through profit or loss on initial recognition.

25. TRADE PAYABLES

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

	Group	
	2010	2009
	US$'000	US$'000
Within 1 month	**66,260**	63,467
1 to 2 months	**18,397**	5,628
2 to 3 months	**4,663**	970
Over 3 months	**3,874**	1,677
	93,194	71,742

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

Included in the Group's trade payables are amounts due to the companies controlled by the Controlling Shareholder of US$441,000 (2009: US$6,054,000) which are repayable within 30 days, which represents similar credit terms to those offered by the companies controlled by the Controlling Shareholder to their major customers.

26. OTHER PAYABLES AND ACCRUALS

	Group	
	2010	2009
	US$'000	US$'000
Other payables	**20,338**	17,117
Accruals	**6,822**	7,341
	27,160	24,458

Other payables are non-interest-bearing and have an average term of three months.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2010		2009	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Forward currency contracts	—	2,559	1,186	177
Swaps	—	564	112	4,016
	—	3,123	1,298	4,193
Portion classified as non-current:				
Swaps	—	(430)	(97)	(3,395)
Current portion	—	2,693	1,201	798

The carrying amounts of forward currency contracts and swaps are the same as their fair values. The above transactions involving derivative financial instruments are conducted with creditworthy banks.

Forward currency contracts - cash flow hedges

At 31 December 2010, the Group held forward currency contracts designated as hedges in respect of expected future sales.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges as at 31 December 2010 relating to expected future sales from January to October 2011 was assessed to be highly effective and net losses of US$3,568,000 (2009: net gains of US$3,402,000) was included in the hedging reserve as follows:

	2010 US$'000	2009 US$'000
Total fair value (losses)/gains included in the hedging reserve	(4,511)	1,812
Reclassified from other comprehensive income and recognised in profit or loss	943	1,590
Net (losses)/gains on cash flow hedges	(3,568)	3,402

28. INTEREST-BEARING BANK BORROWINGS

Group

	2010			2009		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans - unsecured	—	—	—	LIBOR+1.35	2010	5,000
				5.31	2010	702
Current portion of long term bank loans - secured	LIBOR+0.8– LIBOR+1.2	2011	12,044	LIBOR+0.8– LIBOR+1.2	2010	10,879
	TIBOR+1	2011	728	TIBOR+1	2010	641
			12,772			17,222
Non-current						
Bank loans - secured	LIBOR+0.8- LIBOR+1.2	2012-2017	62,461	LIBOR+0.8- LIBOR+1.2	2011-2017	69,822
	TIBOR+1	2012-2014	3,183	TIBOR+1	2011-2014	3,443
			65,644			73,265
			78,416			90,487

	2010 US$'000	2009 US$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	12,772	17,222
In the second year	17,891	11,519
In the third to fifth years, inclusive	33,872	40,991
Beyond five years	13,881	20,755
	78,416	90,487

28. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) The Group's bank loans were secured by mortgages over the Group's container vessels with an aggregate carrying value at 31 December 2010 of approximately US$119,947,000 (2009: US$125,833,000).

In addition, the Controlling Shareholder has provided guarantees for certain of the Group's bank loans up to US$35,000,000 in respect of the Group's bank loans as at 31 December 2009. The loans were fully repaid on 27 May 2010 and the guarantee was also released on the same date.

A company, which is a related party of the other joint venture shareholder of Singamas, provided a corporate guarantee amounting to RMB8,000,000 (equivalent to approximately US$1,208,000) as at 31 December 2010 (2009: RMB8,000,000 (equivalent to approximately US$1,173,000)). As at 31 December 2010, the Group did not have any outstanding loan balance borrowed against such guarantee (2009: US$702,000)

(b) Except for certain bank loans of JPY4,941,019,000 (equivalent to approximately US$60,626,000) which are denominated in Japanese Yen as at 31 December 2010 (2009: JPY5,989,173,000 (equivalent to approximately US$64,716,000)), all other bank loans are in US dollars.

29. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	Withholding taxes	
	2010 **US$'000**	2009 US$'000
At 1 January	**—**	—
Deferred tax charged to profit or loss during the year (note 10)	**205**	—
At 31 December	**205**	—

The Group has no tax losses (2009: US$22,000) arising in Hong Kong for the year ended 31 December 2010, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arise. The Group also has tax losses arising in Mainland China of US$2,403,000 (2009: US$1,587,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2010 HK$'000	2010 US$'000 equivalent	2009 HK$'000	2009 US$'000 equivalent
Authorised:				
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**		—	
Issued and fully paid:				
2,600,000,000 ordinary shares of HK$0.1 each	**260,000**	**33,522**	—	—

There was no authorised and issued share capital on 31 December 2009 because the Company was incorporated on 9 April 2010.

A summary of the transactions in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Issued share capital HK$'000	Issued share capital US$'000 equivalent	Share premium account HK$'000	Share premium account US$'000 equivalent	Total US$'000 equivalent
On incorporation (note (a))	1	—	—	—	—	—
Issue of shares in connection with the Reorganisation (note (b))	98,210	10	1	463,414	59,412	59,413
Capitalisation issue of shares (note (c))	1,949,901,789	194,990	25,140	(194,990)	(25,140)	—
Issue of shares in connection with the Listing (note (d))	650,000,000	65,000	8,381	3,042,000	392,212	400,593
	2,600,000,000	260,000	33,522	3,310,424	426,484	460,006
Share issue expenses	—	—	—	(118,318)	(15,169)	(15,169)
At 31 December 2010	2,600,000,000	260,000	33,522	3,192,106	411,315	444,837

30. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(a) On 9 April 2010, the Company was incorporated with an authorised share capital of HK$380,000 (equivalent to approximately US$49,000) divided into 3,800,000 ordinary shares of HK$0.1 each and one of which was issued and fully paid at par.

(b) On 16 April 2010, the Company issued 98,210 ordinary shares of HK$0.1 each to Grand SITC Holdings Company Limited to acquire the entire interests of SITC Group Company Limited held by Grand SITC Holdings Company Limited as part of the Reorganisation, further details of which are set out in note 1 to the financial statements.

(c) On 10 September 2010, the Company conditionally issued and allotted 1,949,901,789 ordinary shares of HK$0.1 each as fully paid to the shareholders whose names appeared on the register of the members of the Company on the same date by way of capitalisation of HK$194,990,178.90 (equivalent to approximately US$25,140,000) which was then standing to the credit of the share premium account of the Company upon the listing of shares of the Company. This issue and allotment of shares became unconditional on 6 October 2010, i.e., the Listing date.

(d) On 6 October 2010, the Company's shares were listed on the Stock Exchange and the Company issued 650,000,000 ordinary shares of HK$0.1 each at HK$4.78 per share with gross proceeds of approximately HK$3,107,000,000 (equivalent to approximately US$400,593,000).

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company adopted a share option scheme in 2010 (the "Pre-IPO Share Option Scheme"). The purpose of the Pre-IPO Share Option Scheme is to recognise 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. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors and other employees of the Group. Upon the fulfillment of certain conditions, the Pre-IPO Share Option Scheme became effective on 31 March 2010 and will be effective for 5 years commencing on the listing date of the Company on the Stock Exchange. The Pre-IPO Share Option Scheme was approved and adopted on 10 September 2010.

The aggregate number of shares that may be issued pursuant to the Scheme shall not exceed 80,000,000 shares. The options granted to the participants pursuant to the Scheme vest at the rate of 25% of each such grant for each year measured from the date of the first anniversary of the listing date, provided these employees remain in service at the respective vesting date.

The exercise price of share options is HK$3.824 per share, which was determined at a price equivalent to a 20% discount to the IPO price of the Company's shares of HK$4.78 per share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. SHARE OPTION SCHEMES (continued)

Pre-IPO Share Option Scheme (continued)

During the year, the movements in share options pursuant to the Pre-IPO Share Option Scheme are as follows:

	2010		2009	
	Weighted average exercise price HK$	Number of options '000	Weighted average exercise price HK$	Number of options '000
At 1 January	—	—	—	—
Granted during the year	3.824	79,160	—	—
Forfeited during the year	3.824	(600)	—	—
At 31 December	3.824	78,560	—	—

The fair value of the share options granted during the year was HK$2,084,000 (2009: Nil) of which the Group recognised a share option expense of HK$838,000 (2009: Nil) during the year.

The fair value of equity-settled share options at the date of grant was determined by Jones Lang LaSalle Sallmanns using the Binomial Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the valuation of share options granted:

IPO date	30 September 2010
Maturity date	30 September 2015
Stock price	US$1.0
Exercise price*	80% of the IPO price
Volatility (%)	56.70
Risk-free interest rate (%)	2.23
Dividends yield (%)	2.00
Pre-forfeiture rate (%)	0.00
Post-forfeiture rate (%)	5.00
Early Exercise Level	3

* The expected exercise price is subject to the adjustments in the event of any capitalisation issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company.

The expected volatility is indicative of future trends, which may also not necessarily be the actual outcomes.

There is no cash settlement alternative. The Company has not developed a past practice of cash settlement.

At the end of the reporting period, the Company had 78,560,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 78,560,000 additional ordinary shares of the Company and additional share capital of HK$7,856,000 (equivalent to approximately US$1,009,000) and share premium of HK$292,557,000 (equivalent to approximately US$37,594,000).

31. SHARE OPTION SCHEMES (continued)

Post-IPO Share Option Scheme

On 10 September 2010, the Company adopted another share option scheme (the "Share Option Scheme") whereby the board of directors can grant options for the subscription of the Company's shares to its employees, managerial staff and senior employees and those other persons that the board of directors 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 a compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme is 260,000,000 shares which is equivalent to 10% of the issued capital of the Company after the completion of the Listing. The number of options 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 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 of directors, however no options shall be exercised 10 years after the date of grant. The exercise price of the option shall be the highest of (a) the closing price of the shares on the daily quotation sheets 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) the nominal value of the Company's shares.

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

Since the Share Option Scheme was adopted, no options have been granted as of 31 December 2010.

32. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 60 to 61 of the financial statements.

(a) Capital reserve

The capital reserve represents the difference between the amount of share repurchase consideration and the amount of the subscription monies of repurchased shares.

(b) PRC reserve funds

Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries and jointly-controlled entities which are established in the People's Republic of China has been transferred to reserve funds which are restricted as to use.

(c) Merger reserve

The merger reserve comprises the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired, over the Company's cost of acquisition of the subsidiaries under common control; and the deemed distributions to the Controlling Shareholder in relation to the business combination under common control.

32. RESERVES (continued)

Group (continued)

(d) Share-based compensation reserve

The share-based compensation reserve represents the difference between the fair value and consideration of the shares of the Company or its holding companies purchased by the Group's employees.

(e) Share option reserve

The share option reserve comprises the fair value of the share options granted which are yet to be exercised, as further explained in the accounting policy for the share-based payment transactions in note 2.3 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised.

(f) Exchange fluctuation reserve

The exchange fluctuation reserve represents the differences arising from the translation of assets and liabilities and profit or loss of subsidiaries and jointly-controlled entities, whose functional currencies are not the US dollars, into the presentation currency of the Group.

(g) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

32. RESERVES (continued)

Company

	Share premium account US$'000	Share option reserve US$'000	Retained profits US$'000	Proposed final dividend US$'000	Total US$'000
At 9 April 2010 (date of incorporation)	—	—	—	—	—
Total comprehensive income for the year	—	—	41,576	—	41,576
Issue of shares in connection with the Reorganisation (note 30(b))	59,412	—	—	—	59,412
Capitalisation issue of shares (note 30(c))	(25,140)	—	—	—	(25,140)
Issue of shares in connection with the Listing (note 30(d))	392,212	—	—	—	392,212
Share issue expenses	(15,169)	—	—	—	(15,169)
Proposed final 2010 dividend	—	—	(40,088)	40,088	—
Share option expense (note 31)	—	838	—	—	838
At 31 December 2010	411,315	838	1,488	40,088	453,729

33. CONTINGENT LIABILITIES

On 31 May 2008, SITC Yantai ("SITC Yantai"), a vessel registered under the name of a subsidiary of the Group, collided with a cargo vessel (the "Cargo Vessel") in the Port of Hakata, Fukuoka, Japan (the "Collision") and the Cargo Vessel was sunk.

On 17 May 2009, Moji Local Marine Accident Inquiry Tribunal Court handed out its judgement that the Collision was caused by the negligence of SITC Yantai and the owner of the Cargo Vessel and the owners of the cargos on the Cargo Vessel made claims against the Group of approximately US$5 million in aggregate. The Group is now in the process to appeal against this judgement.

SITC Yantai is fully insured and the Collision is covered by the insurance policy up to approximately US$7 million. In the opinion of the directors, since the claim is fully covered by the insurance, no provision is considered necessary at this stage.

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its containers, container vessels, office properties and warehouses under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 US$'000	2009 US$'000
Within one year	**59,347**	40,718
In the second to fifth years, inclusive	**60,504**	47,588
After five years	**438**	629
	120,289	88,935

35. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments at the end of the reporting period:

	2010 US$'000	2009 US$'000
Contracted, but not provided for:		
Plant and machinery	**—**	128
Computer systems	**927**	1,160
Container vessels	**135,700**	—
	136,627	1,288
Contracted, but not provided for:		
Capital contributions payable to:		
Jointly-controlled entity	**490**	—
Associate	**778**	—
	1,268	—
	137,895	1,288

36. RELATED PARTY TRANSACTIONS

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

	Group	
	2010	2009
	US$'000	US$'000
Companies controlled by the Controlling Shareholder:		
Container marine transportation services income	**78,608**	136,130
Shipping agency income	**86**	288
Freight forwarding services income for marine transportation	**96**	2,827
Shipping agency fee expenses	**14,365**	26,284
Container vessels rental expenses	**1,363**	1,336
Vessel management fee	**1,040**	876
Land and buildings rental expenses	**735**	743
Land and buildings rental expenses*	**266**	105
Labour service fee expenses	**—**	262
Associates:		
Container marine transportation services income*	**6,595**	1,372
Shipping agency fee expenses*	**70**	167
Jointly-controlled entities:		
Container marine transportation services income*	**26,152**	—
Freight forwarding services income for marine transportation	**503**	504
Warehousing expenses	**2,277**	2,958
Warehousing expenses*	**665**	—
Freight forwarding services expenses*	**227**	102

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

36. RELATED PARTY TRANSACTIONS (continued)

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

	2010 US$'000	2009 US$'000
Short term employee benefits	**3,998**	5,580
Post-employment benefits	**27**	45
Share-based compensation expense	**—**	3,263
Share option expense	**155**	—
Total compensation paid to key management	**4,180**	8,888

Further details of directors' emoluments are included in note 8 to the financial statements.

(c) In 2009, the Group acquired 25% interests in i-Logistics from a company controlled by a director of the Company at a consideration of approximately US$2,183,000 which was mutually agreed by the two parties. The consideration was satisfied by offsetting the outstanding balance of the same amount due to SITC Maritime Group Co., Ltd. ("Shandong SITC"), a company controlled by the Controlling Shareholder.

(d) During the year, the Group acquired 50% interests in Bright Logistics from a company controlled by the Controlling Shareholder at a cash consideration of approximately RMB8,906,000 (equivalent to approximately US$1,312,000) which was mutually agreed by the two parties.

(e) During the year, the Group disposed of a building with a carrying amount of US$359,000 to Shandong SITC for a cash consideration of US$359,000. The consideration was determined with reference to the carrying amount of the building immediately before the disposal.

(f) During the year, the Group had container marine transportation service income and logistics income amounting to US$24,162,000 (2009: US$3,580,000) with Shanghai Jia Xiang Logistics Co., Ltd., a company which the spouse of Mr. Yang Xianxiang, an executive director of the Company, has 25% interests in. The transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

Except for item (f) and those transactions identified with "*", the above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

2010

Financial assets

	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investment	—	394	394
Trade receivables	55,910	—	55,910
Financial assets included in prepayments, deposits and other receivables	6,323	—	6,323
Due from related companies	2,133	—	2,133
Pledged deposits	75	—	75
Cash and cash equivalents	515,334	—	515,334
	579,775	394	580,169

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Trade payables	—	93,194	93,194
Financial liabilities included in other payables and accruals	—	22,005	22,005
Due to related companies	—	1,096	1,096
Derivative financial instruments	3,123	—	3,123
Interest-bearing bank borrowings	—	78,416	78,416
	3,123	194,711	197,834

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

2009

Financial assets

	Financial assets at fair value through profit or loss - designated as such upon initial recognition US$'000	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investment	—	—	384	384
Trade receivables	—	35,278	—	35,278
Financial assets included in prepayments, deposits and other receivables	—	3,070	—	3,070
Due from related companies	—	30,255	—	30,255
Derivative financial instruments	1,298	—	—	1,298
Financial assets at fair value through profit or loss	27,534	—	—	27,534
Cash and cash equivalents	—	66,251	—	66,251
	28,832	134,854	384	164,070

Financial liabilities

	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Trade payables	—	71,742	71,742
Financial liabilities included in other payables and accruals	—	17,117	17,117
Dividend payable	—	40,000	40,000
Due to related companies	—	15,208	15,208
Derivative financial instruments	4,193	—	4,193
Interest-bearing bank borrowings	—	90,487	90,487
	4,193	234,554	238,747

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

2010

Financial assets

	Loans and receivables US$'000	Total US$'000
Due from a subsidiary	**382,817**	**382,817**
Dividend receivable	**45,000**	**45,000**
Cash and cash equivalents	**21**	**21**
	427,838	**427,838**

38. FAIR VALUE AND FAIR VALUE HIERARCHY

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

Group

	Carrying amounts		Fair values	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Financial assets				
Cash and cash equivalents	**515,334**	66,251	**515,334**	66,251
Pledged deposits	**75**	—	**75**	—
Trade receivables	**55,910**	35,278	**55,910**	35,278
Financial assets included in prepayments, deposits and other receivables	**6,323**	3,070	**6,323**	3,070
Available-for-sale investment	**394**	384	**394**	384
Financial assets at fair value through profit or loss	**—**	27,534	**—**	27,534
Due from related companies	**2,133**	30,255	**2,133**	30,255
Derivative financial instruments	**—**	1,298	**—**	1,298
	580,169	164,070	**580,169**	164,070
Financial liabilities				
Trade payables	**93,194**	71,742	**93,194**	71,742
Financial liabilities included in other payables and accruals	**22,005**	17,117	**22,005**	17,117
Derivative financial instruments	**3,123**	4,193	**3,123**	4,193
Interest-bearing bank borrowings	**78,416**	90,487	**78,416**	90,487
Dividend payable	**—**	40,000	**—**	40,000
Due to related companies	**1,096**	15,208	**1,096**	15,208
	197,834	238,747	**197,834**	238,747

38. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company

	Carrying amounts		Fair values	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Financial assets				
Cash and cash equivalents	**21**	—	**21**	—
Dividend receivable	**45,000**	—	**45,000**	—
Due from a subsidiary	**382,817**	—	**382,817**	—
	427,838	—	**427,838**	—

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:

Cash and cash equivalents, the pledged deposits, trade receivables, dividend receivable, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, an amount due from/to related companies and an amount due from a subsidiary approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

38. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

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:

Group

As at 31 December 2010:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Available-for-sale investment	**394**	**—**	**—**	**394**

As at 31 December 2009:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Available-for-sale investment	384	—	—	384
Financial assets at fair value through profit or loss	—	27,534	—	27,534
Derivative financial instruments	—	1,298	—	1,298
	384	28,832	—	29,216

38. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Liabilities measured at fair value:

Group (Continued)

As at 31 December 2010:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Derivative financial instruments	**—**	**3,123**	**—**	**3,123**

As at 31 December 2009:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Derivative financial instruments	—	4,193	—	4,193

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2009: Nil) and no transfers into or out of Level 3 (2009: Nil).

The Company did not have any financial asset/liabilities measured at fair value as at 31 December 2010 (2009: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain between 5% and 50% of its interest-bearing borrowings at fixed interest rates. To manage this mix in a cost-effective manner, the Group enters into swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2010, after taking into account the effect of the swaps, approximately 34% (2009: 28%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax US$'000
2010		
United States dollar	**100**	**(178)**
Japanese Yen	**100**	**(606)**
United States dollar	**(100)**	**178**
Japanese Yen	**(100)**	**606**
2009		
United States dollar	100	(251)
Japanese Yen	100	(467)
Renminbi	100	(8)
United States dollar	(100)	251
Japanese Yen	(100)	467
Renminbi	(100)	8

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 67.8% (2009: 64.0%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 44.0% (2009: 43.2%) of costs are denominated in the units' functional currency. The Group requires all its operating units to use forward currency contracts to eliminate the foreign currency exposures on transactions in excess of an aggregate of Japanese Yen 100,000,000 per day, for which payments are anticipated more than one month after the Group has entered into firm commitments for sales or purchases. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2010, the Group had hedged 6.4% (2009: 10.5%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax US$'000
2010		
If United States dollar weakens against Renminbi	**5.0**	**4,929**
If United States dollar strengthens against Renminbi	**(5.0)**	**(4,929)**
If United States dollar weakens against Japanese Yen	**5.0**	**(2,819)**
If United States dollar strengthens against Japanese Yen	**(5.0)**	**2,819**
2009		
If United States dollar weakens against Renminbi	5.0	1,519
If United States dollar strengthens against Renminbi	(5.0)	(1,519)
If United States dollar weakens against Japanese Yen	5.0	(3,042)
If United States dollar strengthens against Japanese Yen	(5.0)	3,042

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investment, amounts due from related companies and other receivables, certain derivative instruments and financial assets at fair value through profit or loss, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.The Group's policy is that not more than 40% of borrowings should mature in any 12-month period. 16% of the Group's debts would mature in less than one year as at 31 December 2010 (2009: 19%) based on the carrying values of borrowings reflected in the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Within one year or on demand US$'000	In the second year US$'000	2010 In the third to fifth years, inclusive US$'000	In the sixth to tenth years, inclusive US$'000	Total US$'000
Interest-bearing bank borrowings	14,081	18,977	35,885	14,128	83,071
Trade payables	93,194	—	—	—	93,194
Financial liabilities included in other payables and accruals	22,005	—	—	—	22,005
Due to related companies	1,096	—	—	—	1,096
Derivative financial instruments	2,693	109	256	65	3,123
	133,069	19,086	36,141	14,193	202,489

	Within one year or on demand US$'000	In the second year US$'000	2009 In the third to fifth years, inclusive US$'000	In the sixth to tenth years, inclusive US$'000	Total US$'000
Interest-bearing bank borrowings	19,218	13,597	44,295	21,721	98,831
Trade payables	71,742	—	—	—	71,742
Financial liabilities included in other payables and accruals	17,117	—	—	—	17,117
Due to related companies	15,208	—	—	—	15,208
Dividend payable	40,000	—	—	—	40,000
Derivative financial instruments	798	620	1,760	1,015	4,193
	164,083	14,217	46,055	22,736	247,091

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between 40% and 90%. Net debt includes interest-bearing bank borrowings, trade and other payables, accruals, amounts due to related companies, dividends payable less cash and bank balances. Adjusted Capital includes equity attributable to equity owners of the parent less the hedging reserve. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2010 **US$'000**	2009 US$'000
Interest-bearing bank and other borrowings	**78,416**	90,487
Trade payables	**93,194**	71,742
Other payables and accruals	**27,160**	24,458
Due to related companies	**1,096**	15,208
Dividend payable	**—**	40,000
Less: Cash and bank balances	**(515,409)**	(66,251)
Net debt/(cash)	**(315,543)**	175,644
Equity attributable to owners of the parent	**593,636**	98,026
Hedging reserve	**2,560**	(1,008)
Adjusted capital	**596,196**	97,018
Capital and net debt	**280,653**	272,662
Gearing ratio	**N/A**	64.4%

40. EVENTS AFTER THE REPORTING PERIOD

(i) On 6 January 2011, the Group contracted with a third party to build two container vessels with an aggregate consideration of approximately US$39 million.

(ii) On 2 March 2011, the Group contracted with a third party to acquire one second-hand container vessel with a consideration of approximately US$14.2 million.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 March 2011.

Four Year Financial Summary

The consolidated results of SITC International Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2010 and the consolidated assets, liabilities and equity of the Group as at 31 December 2010 are those set out in the audited financial statements.

The summary of the consolidated results of the Group for each of the three years ended 31 December 2007, 2008 and 2009 and of the assets, liabilities and non-controlling interests as at 31 December 2007, 2008 and 2009 has been extracted from the prospectus issued on 20 September 2010 in connection with the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited on 6 October 2010. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2.1 to the financial statements.

No financial statement of the Group for the year ended 31 December 2006 has been published.

The summary below does not form part of the audited financial statements.

	Year ended 31 December			
	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
RESULTS				
CONTINUING OPERATIONS				
REVENUE	**891,510**	694,173	771,900	576,359
Cost of sales	**(719,694)**	(624,150)	(671,540)	(520,208)
Gross profit	**171,816**	70,023	100,360	56,151
Other income and gains	**3,054**	4,264	4,923	12,329
Administrative expenses	**(52,144)**	(37,040)	(53,427)	(26,713)
Other expenses and losses	**(6,166)**	(1,614)	(11,178)	(81)
Finance costs	**(1,678)**	(1,745)	(3,966)	(6,479)
Share of profits and losses of associates	**133**	74	—	—
PROFIT BEFORE TAX	**115,015**	33,962	36,712	35,207
Income tax expense	**(2,684)**	(1,482)	(1,322)	(876)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**112,331**	32,480	35,390	34,331
DISCONTINUED OPERATION				
Profit for the year from a discontinued operation	**—**	—	—	4,858
PROFIT FOR THE YEAR	**112,331**	32,480	35,390	39,189

Four Year Financial Summary (continued)

	Year ended 31 December			
	2010	2009	2008	2007
	US$'000	US$'000	US$'000	US$'000
Profit attributable to:				
Owners of the parent	**111,983**	32,150	35,106	38,762
Non-controlling interests	**348**	330	284	427
	112,331	32,480	35,390	39,189
ASSETS, LIABILITIES NON-CONTROLLING INTERESTS				
TOTAL ASSETS	**800,388**	346,437	291,737	332,941
TOTAL LIABILITIES	**(204,415)**	(246,516)	(192,492)	(266,067)
NON-CONTROLLING INTERESTS	**(2,337)**	(1,895)	(1,457)	(3,994)
	593,636	98,026	97,788	62,880